



Industry
Canada

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Monthly Economic Indicators

July 2004

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

July 2004

HIGHLIGHTS

-  **Real gross domestic product rose a modest 0.1% in April, after rising by a strong 0.8% in March.**
-  **Employment increased 25,000 in June, all full-time. Employment growth was strong in the second quarter (+130,000).**
-  **Housing starts remained at high levels in the second quarter reaching 239,300 units in June.**
-  **These developments, together with higher shipments in April and May, bode well for growth in the second quarter.**
-  **Higher energy prices lifted inflation from 1.6% in April to 2.5% in May. Core inflation remained subdued at 1.5% in May.**
-  **On June 30, the United States (U.S.) Federal Reserve raised its federal funds by 25 basis points to 1.25%. The Bank of Canada maintained its overnight rate at 2.0% on July 20.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,035.9	0.1	2.9	April
Goods	326.5	0.3	3.3	April
Services	710.7	0.0	2.7	April
Composite Index	195.7	1.2	8.2	May
Employment (000's)	16,032	0.2	1.9	June
Full-time	13,098	0.2	2.7	June
Part-time	2,933	-0.1	-1.5	June
Unemployment* (%)	7.3	7.2	7.7	June
Youth*	13.3	14.0	14.0	June
Adult*	6.1	5.9	6.5	June
CPI inflation*	2.5	1.6	2.9	May
Retail Sales (\$M)	28,446	-0.8	4.1	April
Housing Starts (000's)**	239.3	0.0	15.8	June
Trade Balance* (\$M)	5,219	7,026	4,162	May
Exports	36,785	1.3	12.2	May
Imports	31,566	7.8	10.3	May
M&E	9,607	13.9	20.3	May

		June	
		July 14***	2004 2003
3-mth Corp. paper (%)*	2.11	2.10	3.11
Long bond yield (%)*	4.77	4.83	4.37
Canadian dollar (US¢)*	75.64	74.97	74.21

*Data in levels only - % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

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July 2004

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This issue uses data available as of July 15, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poitras and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of François Poitras. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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THE ECONOMY

Real GDP by Industry



Economic growth slowed in April...

- Real GDP at basic prices edged up 0.1% in April, following a strong gain of 0.8% in March. This was well below market expectations. Strong growth in mining and oil & gas extraction and utilities were dampened significantly by labour disputes in the health sector and lower retail sales. Still, recent indicators including employment and shipments, point to stronger growth in the second quarter.

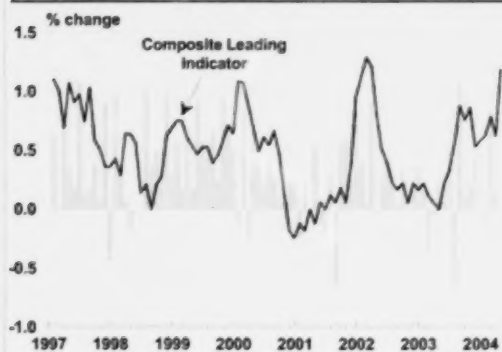
...as output remained flat in the service sector...

- Output in the service sector remained unchanged in April after a jump of 0.7% in March. Increases were reported in 7 of the 13 major groups, with administrative & waste management reporting the highest growth (0.9%). Retail trade posted a 0.9% decline, reflecting lower sales of new motor vehicles. The temporary impact of strikes in the health sector in Newfoundland & Labrador and British Columbia was a major restraining factor in April.

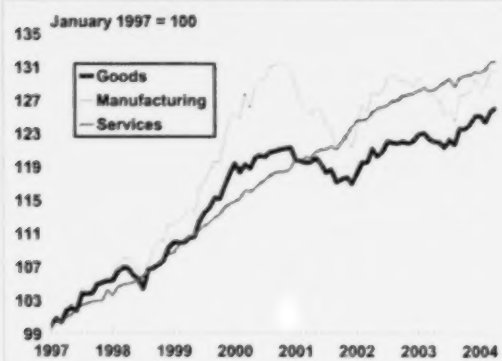
...but continued to grow in the goods sector

- In the goods sector, output rose 0.3% in April, following a strong increase of 1.1% the previous month. Driven by higher commodity prices, output in the mining and oil & gas extraction sector rose 1.7%, offsetting a loss of 0.2% in manufacturing. Output in the construction sector, which was 6.4% higher than a year ago, continued to grow (0.1%) as demand for housing continues to be robust.

Real GDP at Basic Prices



Real GDP by Major Sector



Real GDP at Basic Prices (1997 chained dollars)

April 2004

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	1,035,901	1,052	0.1	2.9
Business Sector	881,040	2,129	0.2	3.4
Goods-producing	326,470	910	0.3	3.3
Agri., Forest, Fish, Hunt*	23,876	-7	-0.0	1.0
Mining & Oil & Gas Extraction	37,958	633	1.7	6.7
Utilities	25,502	316	1.3	-2.0
Construction	57,820	45	0.1	6.4
Manufacturing	180,115	-403	-0.2	2.3
Services-producing	710,677	90	0.0	2.7
Wholesale Trade	65,169	324	0.5	4.9
Retail Trade	58,235	-555	-0.9	4.0
Transportation & Warehousing	47,903	251	0.5	3.7
Information & Cultural	42,322	193	0.5	0.6
FIRE**	209,709	825	0.4	4.0
Professional***	45,631	232	0.5	2.6
Admin. & Waste Mgmt	22,771	214	0.9	3.0
Education	44,449	-271	-0.6	-2.2
Health & Social	60,768	-639	-1.0	0.6
Arts, Entertain. & Recreation	9,229	-118	-1.3	-1.0
Accommodation & Food	22,656	-300	-1.3	3.5
Other	24,482	90	0.4	1.7
Public Administration	58,535	-64	-0.1	1.8

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY

Consumer Spending and Attitudes



Consumer spending is strong in the first quarter...

- Following a 0.7% (annual rate) gain in the fourth quarter of 2003, real consumer spending jumped 5.5% in the first quarter, led by strong gains in durable and semi-durable goods.
- A 3.9% increase in services sector spending also contributed to real consumer spending growth in the first quarter. This marked the eleventh straight quarter of growth for services spending.

...and analysts are cautiously optimistic for the second quarter

- After three consecutive monthly increases, including a 1.1% gain in March, retail sales fell (-0.8%) in April, due to a downturn in the automotive sector. Despite the decline, retail sales remained near record levels.
- The consumer attitudes index posted its second straight quarterly decline since the start of 2004, from 122.6 in the first quarter to 115.4 in the second, its lowest level since the first quarter of 2003.
- However, a major turn-around in second quarter employment, with the creation of 130,400 new jobs compared to a loss of 19,600 in the first quarter, bodes well for second quarter personal income and consumption growth.

Total Retail and Motor Vehicle Sales



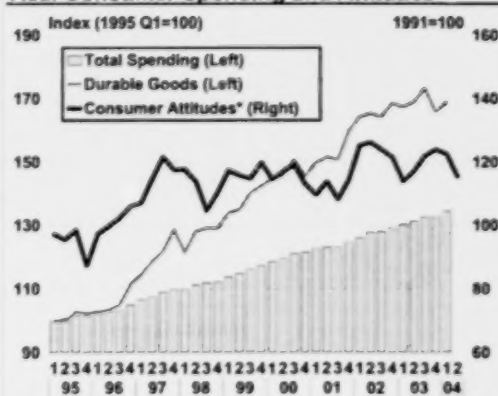
Retail Sales and Consumer Credit

April 2004	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	25,446	-0.8	4.1
Food	5,517	0.3	0.2
Drug Stores	1,876	-0.3	7.4
Clothing	1,683	-0.6	5.4
Furniture	1,841	0.8	9.5
Automotive	9,456	-2.3	1.2
General Merch. Stores	3,574	1.9	10.1
All other Stores	4,498	-2.0	7.3
Total ex. motor vehicles	21,537	-0.1	5.6
Consumer Credit	255	1.1	9.7

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	2002	2003	2003 Q4	2004 Q1
Real Consumption (97\$)	601,594	620,444	625,780	634,148
% change	3.4	3.1	0.7	5.5
Durable Goods	93,099	94,923	93,220	94,971
% change	8.3	2.0	-16.1	7.7
Semi-Durable Goods	54,472	56,142	56,297	58,385
% change	3.8	3.1	-1.1	15.7
Non-Durable Goods	137,196	140,078	140,836	142,369
% change	2.3	2.1	2.6	4.4
Services	317,627	330,098	335,907	339,106
% change	2.6	3.9	4.7	3.9
Disposable Income	692,691	713,548	719,504	727,172
% change	3.8	3.0	2.8	4.3
Saving Rate (%)	3.2	1.4	1.3	0.5
Debt-to-Income Ratio (%)	98.1	101.5	103.2	103.8

Real Consumer Spending and Attitudes



*Conference Board of Canada

THE ECONOMY



Business Investment

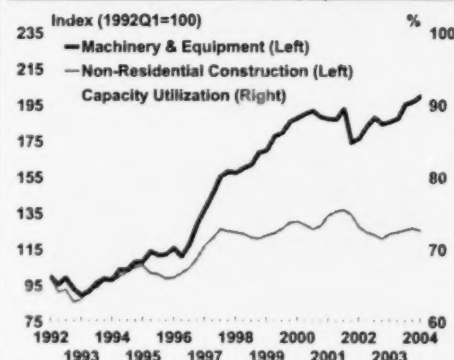
First quarter business investment helped by machinery & equipment...

- Business investment rose 2.0% (annualized) in the first quarter.
 - The rise (6.5%) in machinery & equipment investment was somewhat offset by a drop (4.4%) in non-residential construction.
 - This marked the fifth straight quarterly rise in Machinery & Equipment (M&E) investment.
- Investment related to the energy sector kept growing.
 - Close to 60% of investment in non-residential construction was attributed to the energy sector, posting its sixth straight quarterly increase (3.0%).
 - While only 11.9% of M&E investment was attributed to the energy sector, it rose 33.6% in the first quarter, following an increase of 12.5% in the fourth quarter of 2003.

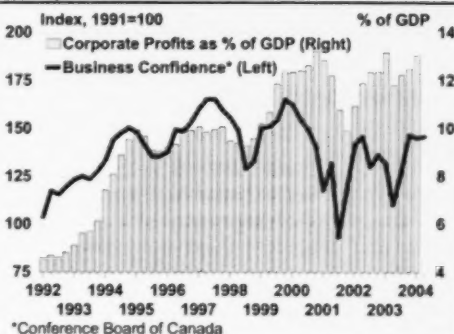
...and prospects for business investment remained upbeat

- M&E imports increased in both April (2.3%) and May (13.4%), while shipments of machinery rose 3.2% and 1.0% respectively for the same two months. This bodes well for M&E investment in the second quarter.
- Following the 4.4% decrease in the first quarter, analysts now expect an increase in non-residential building investment for the second quarter of 2004.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q2	2003 Q3	2003 Q4	2004 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	84,681	88,229	88,920	90,329
% change	-1.2	4.5	3.6	17.8	3.2	6.5
Non-residential Construction (1997\$)	44,493	44,928	44,671	45,109	45,501	44,993
% change	-8.3	1.0	2.2	4.0	3.5	-4.4
Capacity Utilization (% , Non-farm goods)	82.3	82.0	81.2	81.1	82.9	83.5
Capacity Utilization (Mfg. sector)	83.3	83.0	82.2	81.7	84.2	84.9
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	162,928	171,528	178,676	189,464
% change	4.8	14.8	-25.4	22.8	17.7	26.4
Profits - Non-financial industries	115,798	128,203	120,508	125,872	131,604	140,044
% change	8.8	10.7	-36.2	19.0	19.5	28.2
Profits - Financial industries	34,169	43,915	42,420	45,656	47,072	49,424
% change	-6.8	28.5	20.2	34.2	13.0	21.5
Business Credit	892,910	908,814	906,333	909,640	914,747	924,858
% change	4.0	1.8	0.8	1.5	2.3	4.5

THE ECONOMY

Housing



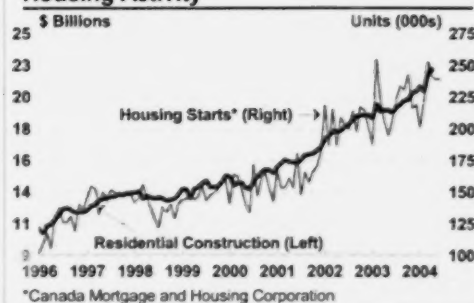
The housing market remained robust...

- Housing starts continued to hold strong. They stood at 239,300 units in June and were 28% (annual rate) higher in the second quarter compared to the first quarter.
- Sales of existing homes rose 30.9% (annual rate) in the second quarter and average residential construction was up 18.3% (annual rate) in April compared to the first quarter level.
- Average building permits for the period April to May were 1.1% higher than the first quarter of 2004.

...backed by good fundamentals

- The strong performance of the housing market in the second quarter continued to reflect factors such as low mortgage rates, and healthy job and income growth.
- However, the positive sentiment is expected to cool down in the coming months with the possible rise in mortgage rates.

Housing Activity



Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	22,220	0.9%	15.1%
Building Permits, \$M (2)*	2,729	-12.7%	8.9%
Sales of Existing Homes (2)** (# of units)	27,559	-188	3,233
Housing Starts, (3)*** (# of units, SAAR)	239,300	0	32,700
Newfoundland & Labrador	2,800	100	100
Prince Edward Island	1,000	200	-200
Nova Scotia	5,000	600	0
New Brunswick	3,500	-700	-700
Quebec	55,300	-4,400	11,300
Ontario	90,500	500	5,300
Manitoba	4,200	-200	300
Saskatchewan	3,300	-4,400	0
Alberta	40,400	10,600	5,900
British Columbia	33,400	-2,300	10,800

1 - April data; 2 - May data; 3 - June data

Sources: *Statistics Canada; **Canadian Real Estate Association;

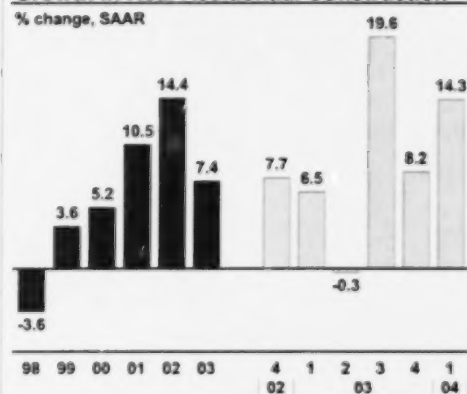
***Canada Mortgage and Housing Corporation

Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q4	2004 Q1
Residential Construction	58,133	62,452	64,778	66,977
% change	14.4	7.4	8.2	14.3
New Housing	28,900	30,678	32,087	33,450
% change	23.2	6.2	20.0	18.1
Alterations & Improvements	20,600	22,619	23,272	24,036
% change	4.7	9.8	7.6	13.8
Ownership & Transfer Costs	8,639	9,204	9,464	9,564
% change	11.5	6.5	-18.9	4.3

Growth in Real Residential Construction



THE ECONOMY

Trade and Competitiveness



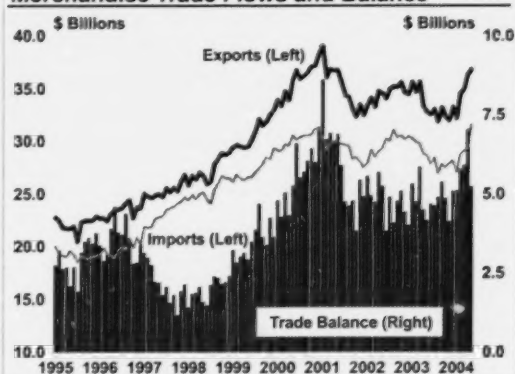
Imports reached a record high in May...

- Canadian imports reached a record high in May with a gain of 7.8%. The rise in imports was broad-based with the largest increase recorded by Machinery & Equipment and Automotive products. Imports of Machinery & Equipment reached their highest level in 20 years buoyed by the appreciation of the Canadian dollar vis-à-vis the U.S. currency and increased capital investment by Canadian businesses. Canadian companies imported more from all major trading regions.
- Merchandise exports rose 1.3% in May, the fourth consecutive increase. Forestry and Agricultural & Fishing products led the increase. Exports to Japan and the U.S. increased the most.
- Strong U.S. demand has mitigated the negative impact of the higher dollar on Canada's exports over the past year.

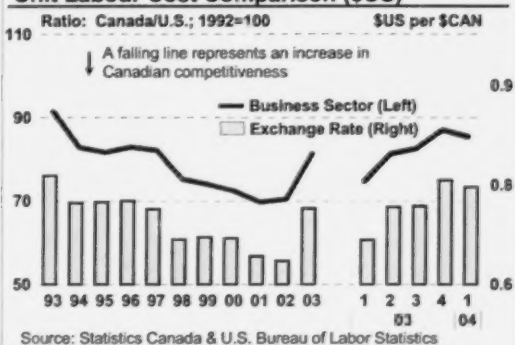
...and the trade surplus decreased

- The trade surplus declined in May as imports increased at a faster pace than exports. The trade surplus with the U.S. decreased to \$8.3 billion and the deficit with other countries reached \$3.0 billion. As a result, the trade surplus stood at \$5.2 billion in May.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

Merchandise Trade

May 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	April 2004	May 2004	Jan.-May 2003	Jan.-May 2004	April to May 2004	April to May 2004	Jan.-May 2003 to Jan.-May 2004	
Exports	36,301	36,785	171,924	174,664	484	1.3	1.6	
to United States	29,559	30,042	142,678	142,401	483	1.6	-0.2	
Imports	29,275	31,566	147,380	145,635	2,291	7.8	-1.2	
from United States	20,415	21,791	103,563	101,417	1,376	6.7	-2.1	
Trade Balance	7,026	5,219	24,544	29,029	-1,807			
with United States	9,144	8,251	39,115	40,984	-893			
Exports by Commodity								
Agriculture/Fishing Products	2,597	2,790	12,331	12,823	193	7.4	4.0	
Energy Products	5,350	5,525	27,434	26,271	175	3.3	-4.2	
Forestry Products	3,352	3,631	14,139	16,116	279	8.3	14.0	
Industrial Goods & Materials	6,753	6,477	27,706	31,361	-276	-4.1	13.2	
Machinery & Equipment	7,834	7,679	38,633	37,672	-155	-2.0	-2.5	
Automotive Products	7,757	7,880	37,133	37,289	123	1.6	0.4	
Other Consumer Goods	1,481	1,529	7,281	7,295	48	3.2	0.2	
Imports by Commodity								
Agriculture/Fishing Products	1,782	1,839	9,208	8,840	57	3.2	-4.0	
Energy Products	1,831	1,942	8,632	8,894	111	6.1	3.0	
Forestry Products	261	271	1,286	1,258	10	3.8	-2.2	
Industrial Goods & Materials	5,919	6,105	28,238	28,664	186	3.1	1.5	
Machinery & Equipment	8,436	9,607	41,758	42,607	1,171	13.9	2.0	
Automotive Products	6,165	6,556	33,657	31,066	391	6.3	-7.7	
Other Consumer Goods	3,906	4,111	19,645	19,365	205	5.2	-1.4	

LABOUR MARKET TRENDS

Employment and Unemployment



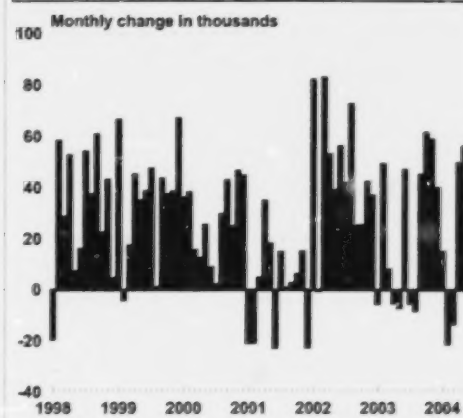
Employment edged up in June...

- Employment edged up 25,000 in June, following an increase of 56,000 in May. Since August 2003, when the recent upward trend began, employment has increased 316,000 (2.0%), with full-time employment rising 342,000 and part-time employment dropping 27,000.
- Hours worked edged down 0.2% in June, but have increased 1.0% since the start of the year.
- Youth employment rose by 32,000 in June. This was the third consecutive monthly increase. Youth employment has increased by 60,000 (2.8%) since March. Employment for adults (8,000) decreased.
- Public sector employment increased by 32,000 in June. So far in 2004, it is 2.4% higher than a year earlier and has accounted for 67.2% of total job creation. Private sector employment edged down slightly in June.
- The participation rate remained at 67.5% and the employment rate at 62.6%. These are close to the all-time highs posted in December 2003.

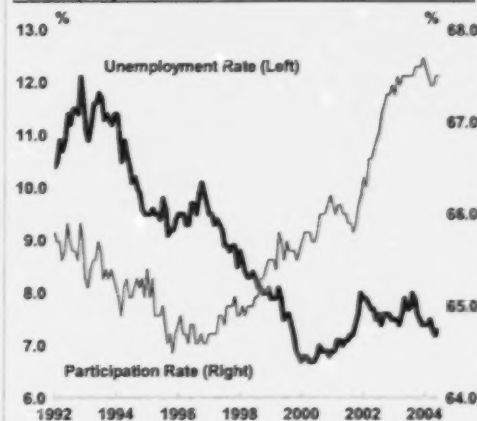
...but the unemployment rate also edged up to 7.3%

- The unemployment rate increased by 0.1 percentage point to 7.3% in June, following a 0.1 point decrease in May. June's rise was due to the labour force growing more than employment. The unemployment rate for youth fell 0.7 percentage point to 13.3%, but the adult unemployment rate rose 0.2 percentage point to 6.1%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 June	2004 May	2004 June	last month	last year	year-to- date	last month	last year
Employment	15,729.0	16,006.8	16,031.5	24.7	302.5	110.8	0.2	1.9
Full-time	12,752.6	13,071.1	13,098.2	27.1	345.6	181.0	0.2	2.7
Part-time	2,976.4	2,935.7	2,933.2	-2.5	-43.2	-70.2	-0.1	-1.5
Youth 15-24	2,407.3	2,418.4	2,450.6	32.2	43.3	31.8	1.3	1.8
Adult 25+	13,321.7	13,588.4	13,580.9	-7.5	259.2	79.1	-0.1	1.9
Self-employed	2,424.9	2,471.5	2,466.2	-5.3	41.3	28.8	-0.2	1.7
Unemployment	1,312.3	1,240.2	1,254.6	14.4	-57.7	-12.2	1.2	-4.4
Unemployment Rate	7.7	7.2	7.3	0.1	-0.4	-0.1		
Youth 15-24	14.0	14.0	13.3	-0.7	-0.7	-0.7		
Adult 25+	6.5	5.9	6.1	0.2	-0.4	0.0		
Labour Force	17,041.4	17,247.0	17,286.1	39.1	244.7	98.7	0.2	1.4
Participation Rate	67.5	67.5	67.5	0.0	0.0	-0.2		
Employment Rate	62.3	62.6	62.6	0.0	0.3	-0.1		

LABOUR MARKET TRENDS

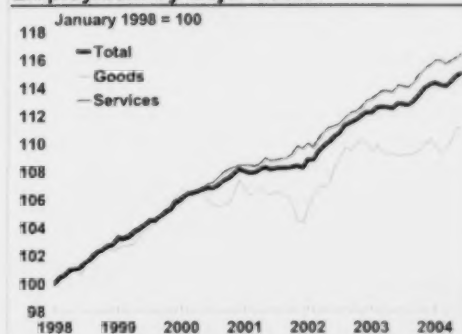
Industry Overview



Employment in the Goods sector was virtually flat ...

- Employment in the Goods sector was virtually flat in June, after three consecutive monthly increases. Construction (9,000) and Utilities (4,000) posted the largest increases, but these gains were offset by losses in Manufacturing (12,000).
- So far this year, the Goods sector has gained 30,000 jobs, including a gain of 24,000 in Construction. The employment level in Manufacturing has increased by 7,000 since a year ago. However, it is 75,000 below its peak of 2,363,200 in August 2002.

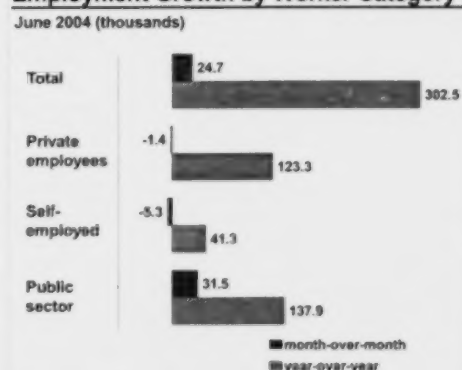
Employment by Major Sector



...while employment in the Services sector continued to grow

- Employment in Services increased 25,000 in June, following an increase of 23,000 in May. Service employment has risen 81,000 so far this year. The largest gains occurred in Transportation & Warehousing, Professional, Scientific & Technical Services, and Health Care & Social Assistance. On a year-over-year basis, the Services sector has gained 230,000 jobs.
- In June, job gains were concentrated in Trade (21,000) and in Information, Culture & Recreation (14,000).
- The largest losses were posted by Other Services (15,000) and Health Care & Social Assistance (7,000).

Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			last month	Change since		% Change since	
	2003 June	2004 May	2004 June		last year	year-to-date	last month	last year
Goods-producing	3,972.1	4,045.3	4,045.1	-0.2	73.0	29.8	-0.0	1.8
Agriculture	340.4	338.7	340.0	1.3	-0.4	-6.5	0.4	-0.1
Natural Resources*	291.0	301.6	298.7	-2.9	7.7	2.7	-1.0	2.6
Utilities	133.8	133.5	137.4	3.9	3.6	6.7	2.9	2.7
Construction	926.3	971.7	980.8	9.1	54.5	23.7	0.9	5.9
Manufacturing	2,280.7	2,299.9	2,288.1	-11.8	7.4	3.1	-0.5	0.3
Services-producing	11,756.9	11,961.5	11,986.4	24.9	229.5	81.0	0.2	2.0
Trade	2,458.6	2,471.1	2,491.7	20.6	33.1	14.3	0.8	1.3
Transportation*	764.0	814.1	819.5	5.4	55.5	37.3	0.7	7.3
FIRE*	922.5	978.4	977.0	-1.4	54.5	20.3	-0.1	5.9
Professional/Scientific	1,003.2	1,018.8	1,014.4	-4.4	11.2	29.9	-0.4	1.1
Business/Building	609.7	617.6	622.3	4.7	12.6	-15.3	0.8	2.1
Educational Services	1,054.1	1,055.8	1,061.1	5.3	7.0	0.0	0.5	0.7
Health Care/Social Assistance	1,684.1	1,763.8	1,757.1	-6.7	73.0	24.9	-0.4	4.3
Information/Culture/Recreation	703.6	709.0	723.3	14.3	19.7	6.3	2.0	2.8
Accommodation & Food	1,023.9	1,009.0	1,014.9	5.9	-9.0	-14.6	0.6	-0.9
Other Services	718.2	705.4	690.0	-15.4	-28.2	-9.6	-2.2	-3.9
Public Administration	815.1	818.4	815.2	-3.2	0.1	-12.4	-0.4	0.0

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.

LABOUR MARKET TRENDS



Provincial Overview

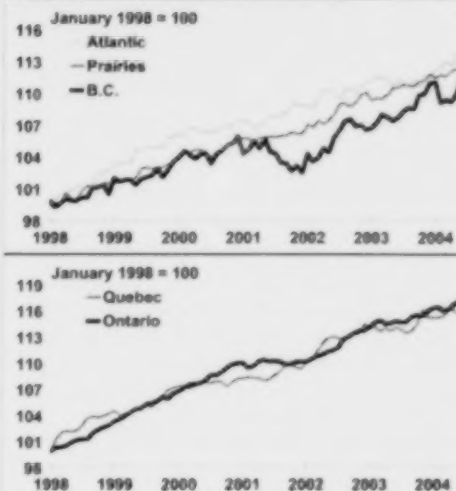
Job gains were concentrated in British Columbia and Ontario...

- Employment in British Columbia increased by 27,000 in June, bringing gains since April to 42,000. The largest gains were in Information, Culture & Recreation (12,000), and Construction (9,000). Employment in Ontario increased by 18,000 following a gain of 34,000 in May. Alberta (1,000) also posted a small gain.
- Quebec (15,000) posted the largest loss, as Manufacturing shed 11,000 jobs. All other provinces posted losses of 1,500 jobs or less.
- On a year-over-year basis, all provinces posted gains, except Prince Edward Island (-3.1%). The largest gains were in New Brunswick (2.4%) and Nova Scotia (2.3%). Quebec and Ontario posted gains of 1.3% and 2.0%, respectively.

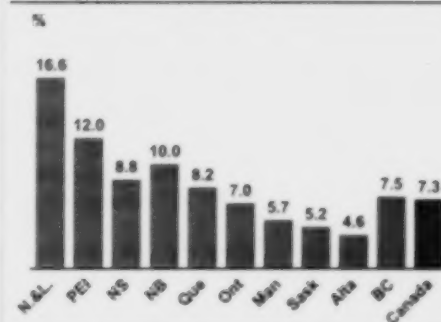
...and the unemployment rate edged up in half the provinces

- The unemployment rate rose in five provinces, notably in Manitoba (0.4 percentage point to 5.7%) and Saskatchewan (0.4 point to 5.2%) due to job losses, and in Alberta (0.3 point to 4.6%) due to a labour force increase. It was unchanged in New Brunswick and Ontario.
- The unemployment rate decreased in PEI (0.6 point to 12.0%), British Columbia (0.3 point to 7.5%) and Nova Scotia (0.1 point to 8.8%). This was due to decreases in the labour force, except in British Columbia where job gains played a role.
- Since June 2003, the unemployment rate has fallen in most provinces, particularly in Quebec, British Columbia and New Brunswick, but has risen in PEI, Newfoundland & Labrador and Manitoba.

Regional employment patterns



Unemployment Rates – June 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment Rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	2004 June	last month (000's)	%	last year (000's)	%		2004 June	last month	last year
Canada	16,031.5	24.7	0.2	302.5	1.9		7.3	0.1	-0.4
Newfoundland & Labrador	221.2	-1.4	-0.6	3.6	1.7		16.6	0.1	1.1
Prince Edward Island	68.0	-0.9	-1.3	-2.2	-3.1		12.0	-0.6	2.5
Nova Scotia	448.1	-1.1	-0.2	10.2	2.3		8.8	-0.1	-0.1
New Brunswick	351.8	-0.7	-0.2	8.3	2.4		10.0	0.0	-0.6
Quebec	3,692.9	-15.1	-0.4	46.9	1.3		8.2	0.2	-0.8
Ontario	6,346.6	17.7	0.3	122.8	2.0		7.0	0.0	-0.3
Manitoba	575.4	-0.4	-0.1	6.3	1.1		5.7	0.4	1.0
Saskatchewan	489.8	-1.9	-0.4	1.8	0.4		5.2	0.4	-0.3
Alberta	1,757.5	1.4	0.1	34.5	2.0		4.6	0.3	-0.5
British Columbia	2,080.3	27.2	1.3	70.3	3.5		7.5	-0.3	-0.7

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



Inflation was 2.5% in May...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 2.5% in May, following a 1.6% increase in April. Higher gasoline prices (30.3%) were the most important contributor to the rise. Excluding energy, inflation was 1.3% in May, 0.1 percentage point higher than in April.
- All ten provinces recorded higher inflation in May than in April with Manitoba posting the largest increase (0.6% in April versus 2.4% in May). Altogether, eight provinces registered inflation above 2.0% compared to only one in April.
- On a month-to-month basis (seasonally adjusted), the CPI in May rose by 0.6% compared to 0.2% in April.
- The year-over-year increase in commodity prices was 21.2% in June, which marked the third consecutive month that increases were over 20%. On a monthly basis, commodity prices fell 0.9%, following a 5.0% increase in May. Excluding energy prices, commodity prices increased 0.9%, after increasing 1.2% in May.

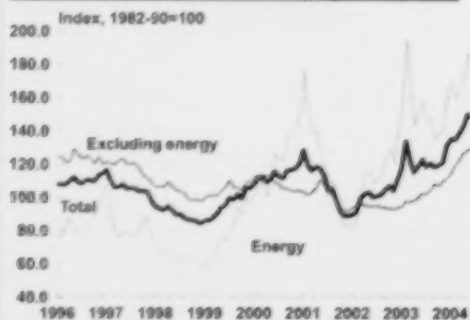
...and the "core" rate fell to 1.5%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, fell from 1.8% in April to 1.5% in May, below the midpoint of the 1%-3% official target range.

Consumer Price Index



Commodity Prices (\$US basis)



Consumer Prices

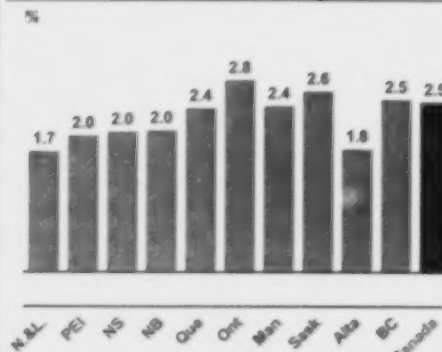
May 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	125.0	0.9	2.5
Food	124.4	0.8	1.3
Shelter	119.8	0.2	2.3
Household operations	115.4	-0.2	0.8
Clothing & Footwear	102.8	-1.0	-0.6
Transportation	148.2	3.3	6.0
Health & Personal Care	119.0	0.0	1.6
Recreation, Educ. & Reading	128.4	1.0	0.9
Alcohol & Tobacco	143.4	0.8	5.3
Excl. 8 Most Volatile/Indirect Taxes	124.2	0.2	1.5
Energy	156.2	6.8	16.2

Commodity Prices (June 2004)

Index, 1982-90=100	148.9	-0.9	21.2
Excluding Energy	129.7	0.9	26.4
Energy	180.8	-3.1	15.2

Provincial CPI Inflation – May 2004



PRICES and FINANCIAL MARKETS



Short-term and Long-term Interest Rates

The U.S. monetary authorities began raising interest rates in June

- The U.S. Federal Reserve raised the federal funds rate 25 basis points (bps) to 1.25% on June 30, which marked the first rate increase in four years, noting that the U.S. economy has expanded at a solid pace while inflation has been under control. Central banks in several countries including the United Kingdom and Australia have also raised interest rates. On July 20, the Bank of Canada maintained its target for the overnight rate at 2.0% as developments in the economy remained consistent with its outlook.
- The rate on 3-month corporate paper in Canada was 2.11% on July 14, essentially unchanged from two months ago, but down from 2.7% last December. Its U.S. counterpart was 1.47% on July 14, up from 1.0% in April, which narrowed the rate differential to 64 bps.

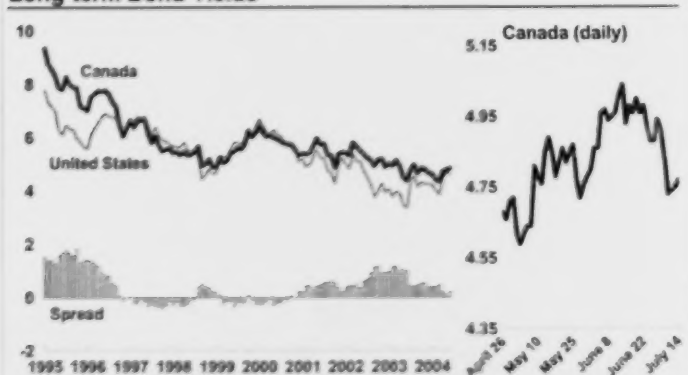
North American long-term rates fell somewhat in July

- Despite U.S. monetary authorities raising their policy interest rate, evidence of a soft spot in U.S. employment and manufacturing in July resulted in lower long-term bond yields. U.S. 10-year yields fell about 30 bps to 4.5% on July 14, and Canadian yields also fell in recent weeks to 4.8%, down from about 5.0% in mid-June.
- One-year mortgage rates were 4.6% on July 14, 15 bps higher than in early June. In comparison, five-year mortgage rates declined slightly to 6.55% after rising 100 bps during April and May.

Short-term Interest Rates



Long-term Bond Yields



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
January	2.37	1.35	4.61	0.39
February	2.25	N/A	4.41	0.39
March	2.10	1.07	4.33	0.47
April	2.05	0.96	4.71	0.21
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July 14*	2.11	0.64	4.77	0.27

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics

Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
January	2.50	4.25	4.30	6.05
February	2.50	4.25	4.30	5.80
March	2.25	4.00	4.30	5.70
April	2.00	3.75	4.45	6.15
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July 14*	2.00	3.75	4.60	6.55

* Bank of Canada's Weekly Financial Statistics

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices



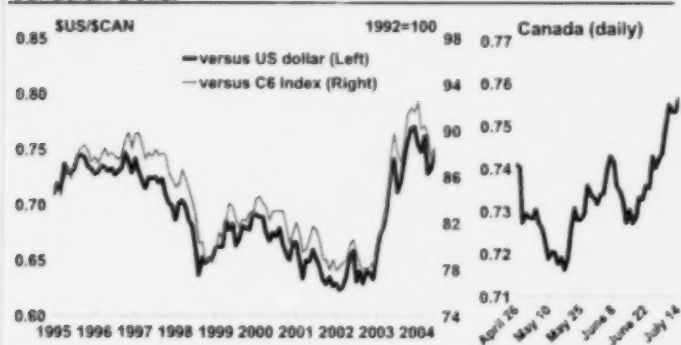
The Canadian dollar strengthened further in July

- After trading around US\$73 in recent months, the Canadian dollar rose sharply to close at US\$75.8 on July 13. The Canadian dollar has risen 4.0% against the U.S. dollar since mid-June, mostly the result of movements in the U.S. dollar which weakened on evidence of a soft spot in the strength of U.S. economic growth. Recent economic and political developments in Canada, including record high manufacturing shipments and the federal election outcome, also lent some support to the dollar.
- At the same time, the Canadian dollar appreciated 1.5% against the euro since mid-June after trading fairly evenly in May. Similarly, the Canadian dollar appreciated 3.7% against the Japanese yen.

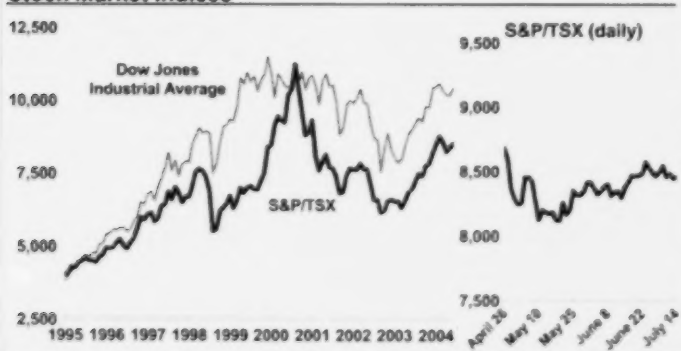
North American stock markets paused in July

- Lacklustre performance in the U.S. labour market impacted the upward trend of North American equity markets in July. The S&P/TSX has fallen 1.0% since June 30 to close at 8,453 on July 13. The metals & mining sub-index rose further by 2.1%, but the gold and utilities sub-indices fell 4.2% and 2.0%, respectively.
- The Dow Jones closed on July 13 at 10,248, down 1.8% since June 30. In June, the Dow Jones closed consistently around 10,400.

Canadian Dollar



Stock Market Indices



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
January	0.7548	92.54	1.652	79.83
February	0.7487	90.19	1.669	81.60
March	0.7626	90.55	1.615	79.53
April	0.7288	89.74	1.644	80.54
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July 14	0.7564	*90.90	1.637	82.56

* Bank of Canada's Weekly Financial Statistics

Key Stock Market Indexes

	June Close	% change from	
		last month	last year
S&P/TSX	8,546	1.5	22.4
Energy	169	2.1	26.3
Metals & Mining	225	2.1	74.3
Utilities	141	-2.0	0.6
Materials	149	-0.4	34.0
Industrial	74	1.2	16.5
Financial	141	0.5	21.2
Gold	199	-4.2	18.3
Telecommunication	59	-2.6	1.6
Information Technology	37	12.6	91.8
Consumer Discretionary	91	0.6	20.9
Consumer Staples	177	1.2	9.4
S&P 500	1,140.8	1.8	17.1
Dow Jones	10,436	2.4	15.7

THE UNITED STATES ECONOMY



U.S. Economic Trends

The U.S. economy advanced at a healthy pace in the first quarter...

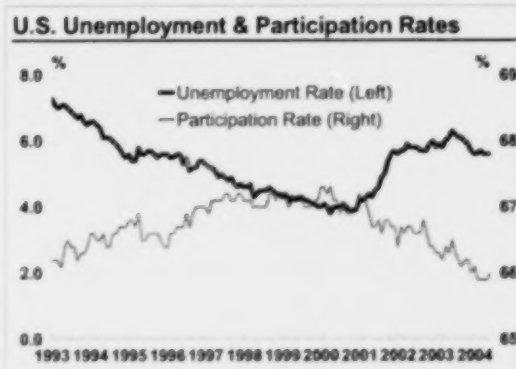
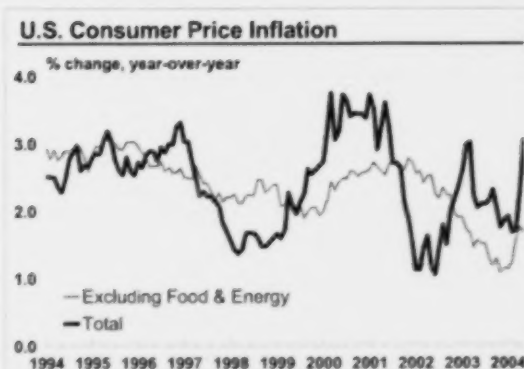
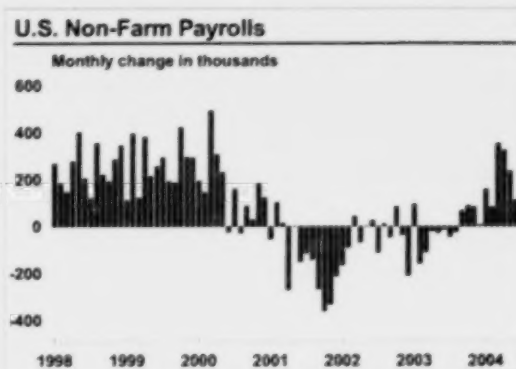
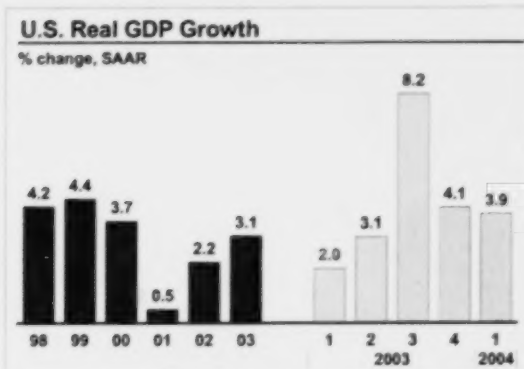
- Real GDP growth was 3.9% (annual rate) in the first quarter of 2004, revised down from a preliminary estimate of 4.4%. The downward revision reflected higher imports of goods and services and lower consumer spending than previously estimated. However, personal consumption remained an important source of growth (3.8%) along with higher inventories and government spending.

...and growth is expected to remain strong in the second quarter despite recent soft spots

- Recent indicators suggest that the pace of economic expansion eased in June, which was likely a temporary setback. Retail sales fell 1.1% in June, mostly due to lower vehicle sales, but grew 1.4% in the second quarter compared to the first quarter. The Institute of Supply Management's (ISM) manufacturing index slipped slightly, but remained at a high level. Finally, employment growth in June was lower than expected (112,000 versus 250,000). Nevertheless, the economy added 671,000 new jobs in the second quarter and analysts expect employment to show strength in coming months. Job growth has contributed to a steady rise in personal income, which should continue to provide support to personal consumption expenditures.

Rising energy prices pushed inflation up in May

- The CPI increased 3.1% in May (year-over-year), up sharply from 2.3% in April. This was solely due to a surge in energy and food prices as core inflation (which excludes these items) moderated to 1.7% from 1.8% in April. Productivity growth (non-farm business), which was 3.8% in the first quarter, contributed to keeping core inflation at a low level.



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - June	July 16
Real GDP by Industry - May	July 29
Labour Force Survey - July	August 6
Monthly Survey of Manufacturing - June	August 13
Canadian International Merchandise Trade - June	August 13
Financial Statistics for Enterprises - 2nd Quarter 2004	August 26
Balance of International Payments - 2nd Quarter 2004	August 30
National Economic and Financial Accounts - 2nd Quarter 2004	August 31
Key Policy Interest Rate Announcement	September 8

UNITED STATES

Consumer Price Index - June	July 16
GDP - 2nd Quarter 2004 (advance)	July 30
The Employment Situation - July	August 6
Federal Open Market Committee Meeting	August 10
International Trade in Goods and Services - June	August 13

Note: The July 2004 MEI uses data available as of July 15, 2004



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Monthly Economic Indicators

August 2004

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

August 2004

HIGHLIGHTS

-  **Real gross domestic product (GDP) rose 0.3% in May, following a gain of 0.1% in April.**
-  **This, combined with continued strength in the housing market, strong increases in manufacturing shipments and net exports, suggest the economy expanded at a healthy pace in the second quarter.**
-  **Employment edged up 9,000 in July. Furthermore, manufacturing employment rose by 21,000, the first significant increase in more than a year.**
-  **In the United States (U.S.), GDP grew by 3.0 percent in the second quarter, less than anticipated by analysts.**
-  **On August 10, the U.S. Federal Reserve raised its federal funds rate by 25 basis points to 1.5%, the second consecutive increase since June 2004.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,041.1	0.3	3.2	May
Goods	328.4	0.6	4.0	May
Services	713.9	0.1	2.9	May
Composite Index	197.8	1.1	9.2	June
Employment (000's)	16,040	0.1	2.0	July
Full-time	13,059	-0.3	2.3	July
Part-time	2,981	1.6	0.7	July
Unemployment* (%)	7.2	7.3	7.7	July
Youth*	13.4	13.3	14.1	July
Adult*	5.9	6.1	6.5	July
CPI inflation*	2.5	2.5	2.6	June
Retail Sales (\$M)	28,625	0.5	4.6	May
Housing Starts (000's)**	218.7	-5.8	-2.1	July
Trade Balance* (\$M)	8,626	5,788	4,671	June
Exports	39,044	4.4	20.1	June
Imports	30,418	-3.7	9.3	June
M&E	8,603	-10.2	5.3	June

	July		
	August 11***	2004	2003
3-mth Corp. paper (%)*	2.09	2.12	2.89
Long bond yield (%)*	4.60	4.82	4.78
Canadian dollar (US¢)*	75.49	75.22	71.18

*Data in levels only - % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

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MONTHLY ECONOMIC INDICATORS

August 2004

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This issue uses data available as of August 13, 2004. It has been prepared by Eric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Arif Mahmud, Sue Moore, François Poiras and François Rimbault of the Micro-Economic Analysis Directorate, under the direction of François Poiras. Translation has been provided by Denis Santafon and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

Please address comments to François Poiras at (613) 957-3404 or through the Internet at Poiras.Francois@ic.gc.ca



Economic expansion continued in May...

- Real GDP at basic prices rose 0.3% in May after increasing 0.1% in the previous month. Higher commodity prices led to increased production in the mining and oil & gas sector. Moreover, strong economic fundamentals continued to support the construction sector. Recent indicators point to stronger growth in the second quarter compared to the first quarter.

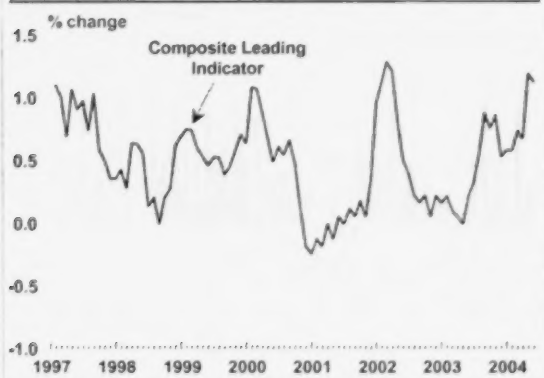
...as production in the goods sector increased...

- Goods-producing industries output increased by 0.6% following a gain of 0.3% in April. Output in the mining and oil & gas extraction sector surged 2.0% buoyed by higher prices for energy products. Construction activity also advanced strongly as interest rates continued to be low. Industrial production (mining, utilities, and manufacturing) has risen 3.6% over the last year.

...and output in the service sector edged up

- Output in the service sector edged up 0.1% after remaining unchanged in April. The increase was led by accommodation & food services and transportation & warehousing. The accommodation industry benefited from higher occupancy rates across the country. Furthermore, the end of the public sector strike in Newfoundland & Labrador helped the education, health care & social assistance and public administration sectors rebound. Meanwhile, wholesalers and retailers posted declines as new motor vehicle sales decreased.

Real GDP at Basic Prices



Real GDP by Major Sector



Real GDP at Basic Prices (1997 chained dollars)

May 2004

	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,041,143	3,030	0.3	3.2
Business Sector	884,821	2,304	0.3	3.7
Goods-producing	328,440	1,879	0.6	4.0
Agri., Forest, Fish, Hunt*	23,635	-14	-0.1	0.2
Mining & Oil & Gas Extraction	38,845	780	2.0	8.2
Utilities	25,681	165	0.6	-0.7
Construction	58,563	396	0.7	7.5
Manufacturing	180,091	194	0.1	2.7
Services-producing	713,925	1,069	0.1	2.9
Wholesale Trade	66,270	-738	-1.1	6.8
Retail Trade	58,024	-116	-0.2	3.0
Transportation & Warehousing	48,278	520	1.1	5.1
Information & Cultural	42,438	81	0.2	0.2
FIRE**	209,824	112	0.1	3.5
Professional***	45,592	58	0.1	2.3
Admin. & Waste Mgmt	22,747	41	0.2	2.8
Education	45,557	399	0.9	0.4
Health & Social	60,870	235	0.4	0.5
Arts, Entertain. & Recreation	9,332	-26	-0.3	0.2
Accommodation & Food	23,109	378	1.7	5.5
Other	24,342	-75	-0.3	0.9
Public Administration	58,775	128	0.2	1.8

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

Consumer Spending and Attitudes



Consumer spending has probably slowed in the second quarter...

- Following a decline of 0.1% in April, real retail sales dropped 0.2% in May. Lower sales of durable goods were responsible for the decrease. With no change in June, real retail sales would increase by 2.0% (annual rate) in the second quarter compared to 8.2% in the first quarter. In the meantime, the consumer confidence index slipped 5.7% in the second quarter after gaining 3.1% in the first quarter.
- New motor vehicle sales fell 1.9% in June, after a decline of 3.1% in May. Nevertheless, helped by a strong increase in April, sales of new motor vehicles increased by 19.6% (annual rate) in the second quarter compared to a 1.3% rise in the first quarter.

...but the good performance of the labour market continues to underpin consumption

- Employment increased for the fourth straight month in July. So far in 2004, a total of 119,500 jobs have been created compared to 81,200 for the same period last year. Such trends bode well for future personal income and consumption growth. Moreover, consumption is being supported by a higher net worth to disposable income ratio compared to the early 1990s.

Total Retail and Motor Vehicle Sales



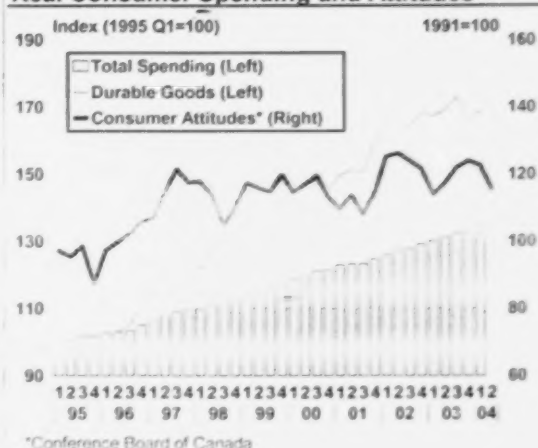
Retail Sales and Consumer Credit

May 2004	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	28,625	0.5	4.6
Food	5,621	1.6	4.8
Drug Stores	1,874	0.3	6.5
Clothing	1,671	-0.2	2.6
Furniture	1,862	0.8	7.8
Automotive	9,538	0.4	1.6
General Merch. Stores	3,512	-1.1	5.2
All other Stores	4,545	0.7	9.2
Total ex. motor vehicles	21,890	1.4	7.9
Consumer Credit	254	1.1	9.5

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)				
	2002	2003	2003 Q4	2004 Q1
Real Consumption (97\$)	601,594	620,444	625,780	634,148
% change	3.4	3.1	0.7	5.5
Durable Goods	93,099	94,923	93,220	94,971
% change	8.3	2.0	-16.1	7.7
Semi-Durable Goods	54,472	56,142	56,297	58,385
% change	3.8	3.1	-1.1	15.7
Non-Durable Goods	137,196	140,078	140,836	142,369
% change	2.3	2.1	2.6	4.4
Services	317,627	330,098	335,907	339,106
% change	2.6	3.9	4.7	3.9
Disposable Income	662,591	713,548	719,504	727,172
% change	3.8	3.0	2.8	4.3
Saving Rate (%)	3.2	1.4	1.3	0.5
Debt-to-Income Ratio (%)	98.1	101.5	103.2	103.8

Real Consumer Spending and Attitudes



THE ECONOMY

Business Investment

Further increase in business investment is expected in the second quarter...

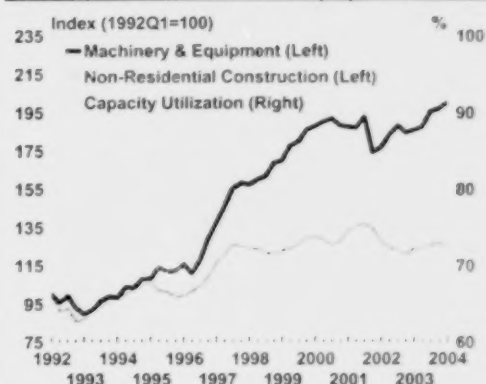
- Machinery and Equipment (M&E) imports fell in June (10.1%) following a 13.9% increase in May. Shipments of machinery increased 4.7% in June, following a 0.5% increase in May. On a quarterly basis, imports of M&E rose 8.8% in the second quarter while shipments of machinery rose 28.2%
- The sale of non-residential building permits recovered in June, rising 32.6%. With this latest increase, builders took 10.3% more building permits than in the first quarter.
- Assuming no growth in June, non-residential building construction would increase by 2.7% in the second quarter.

...and the trend is expected to continue

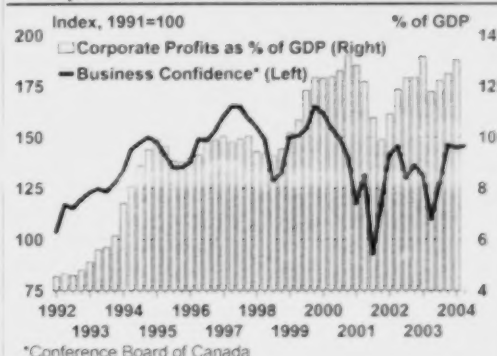
- According to the last Business Conditions Survey (July 30, 2004), manufacturers were more upbeat for the third quarter than they were in the second.
- The balance of opinion was generally improved. Higher optimism regarding the levels of orders received, backlogs of unfilled orders and production prospects could bode well for investment prospects.



Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q2	2003 Q3	2003 Q4	2004 Q1
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	84,681	88,229	88,920	90,329
% change	-1.2	4.5	3.6	17.8	3.2	6.5
Non-residential Construction (1997\$)	44,493	44,928	44,671	45,109	45,501	44,993
% change	-8.3	1.0	2.2	4.0	3.5	-4.4
Capacity Utilization (% Non-farm goods)	82.3	82.0	81.2	81.1	82.9	83.5
Capacity Utilization (Mfg. sector)	83.3	83.0	82.2	81.7	84.2	84.9
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	162,928	171,528	178,676	189,464
% change	4.8	14.8	-25.4	22.8	17.7	26.4
Profits - Non-financial industries	115,798	128,203	120,508	125,872	131,604	140,044
% change	8.8	10.7	-36.2	19.0	19.5	28.2
Profits - Financial industries	34,169	43,915	42,420	45,656	47,072	49,424
% change	-6.8	28.5	20.2	34.2	13.0	21.5
Business Credit	893,287	910,157	907,033	911,097	917,273	927,552
% change	4.0	1.9	0.8	1.8	2.7	4.6

THE ECONOMY

Housing

Housing activity was buoyant in the second quarter...

- Residential construction rose 0.8% in May, following a 1.0% increase in April. Assuming no growth in June, residential construction will rise 22.6% (annualized) in the second quarter.
- Following two consecutive quarterly drops, housing starts rose 13.5% in the second quarter.
- House prices have continued their ascent. They rose 10.4% in the second quarter, following an increase of 5.1% in the first.
- Unit sales rose 1.5% in June, following a 2.6% decrease in May. Unit sales rose 30.8% in the second quarter, following a 4.4% increase in the first.

...but could soften somewhat in the third

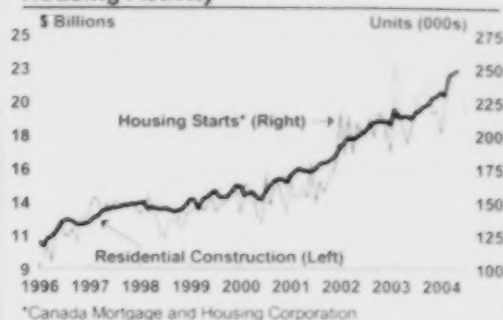
- While still high by historical standards, housing starts fell 5.8% in July to 218,700. However, the sale of building permits rose 24.2% in June, possibly indicating renewed building activity.
- Economic factors, notably low interest rates and the good performance of the labour market in 2004, have supported housing activity so far this year. However, the rapid pace of housing price increases as well as potential rate hikes in the near future might cool off the housing market.
- Analysts are expecting pent-up demand to be exhausted by the end of the year, which could contribute to lower housing starts in 2005.

Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q4	2004 Q1
Residential Construction	58,133	62,452	64,778	66,977
% change	14.4	7.4	8.2	14.3
New Housing	28,900	30,676	32,067	33,450
% change	23.2	6.2	20.0	18.1
Alterations & Improvements	20,600	22,619	23,272	24,036
% change	4.7	9.8	7.6	13.8
Ownership & Transfer Costs	8,639	9,204	9,464	9,564
% change	11.5	6.5	-18.9	-4.3

Housing Activity



Monthly Housing Indicators

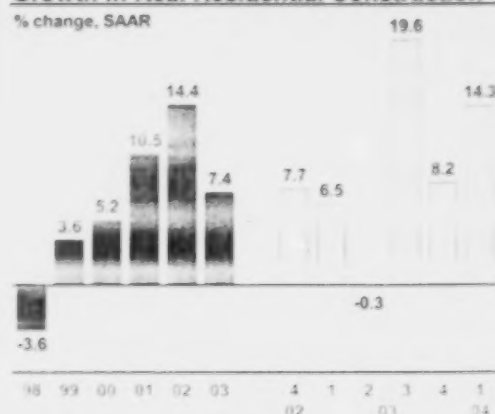
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	22,415	0.8%	15.9%
Building Permits, \$M (2)*	3,435	24.2%	30.2%
Sales of Existing Homes (2)** (# of units)	27,736	159	1,520
Housing Starts, (3)*** (# of units, SAAR)	218,700	-13,400	-4,600
Newfoundland & Labrador	2,600	-200	300
Prince Edward Island	900	-400	100
Nova Scotia	4,100	-500	-1,100
New Brunswick	3,700	0	-1,400
Quebec	56,900	4,200	4,900
Ontario	81,300	-7,400	-3,300
Manitoba	4,900	900	1,600
Saskatchewan	3,000	300	0
Alberta	32,000	-8,100	-6,100
British Columbia	29,300	-2,200	400

1 - May data; 2 - June data; 3 - July data

Sources: *Statistics Canada; **Canadian Real Estate Association;

***Canada Mortgage and Housing Corporation

Growth in Real Residential Construction



THE ECONOMY

Trade and Competitiveness



Exports reached a record high in June...

- Merchandise exports rose 4.4% in June, the fifth consecutive monthly increase. All principal commodity groups posted an increase except Forestry products. Gains were led by Industrial Goods & Materials and Agricultural & Fishing products. Exports to all principal trading regions increased. Real export growth (4.1%) was strong as export prices rose only 0.3%.
- Imports fell 3.7% in June after reaching a record high in May. Lower imports of Machinery & Equipment accounted for most of the decline. Canadian companies imported less from almost all principal trading partners. Moreover, importers paid 0.4% less for their merchandise.

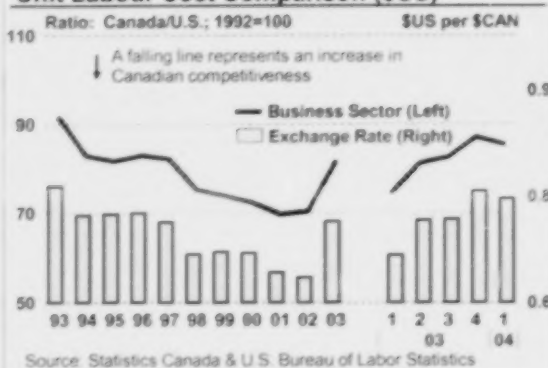
Merchandise Trade Flows and Balance



...and the trade surplus increased

- Canada's trade surplus hit a record high in June, reaching \$8.6 billion, as exports increased and imports fell. The trade surplus with the U.S. rose to \$10.7 billion and the deficit with other countries narrowed to \$2.1 billion.

Unit Labour Cost Comparison (\$US)



Merchandise Trade

June 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	May 2004	June 2004	Jan.-June 2003	Jan.-June 2004	May to June 2004	May to June 2004	Jan.-June 2003 to Jan.-June 2004	
Exports	37,391	39,044	204,436	214,434	1,853	4.4	4.9	
to United States	30,760	31,664	169,771	174,809	904	2.9	3.0	
Imports	31,603	30,418	175,220	176,157	-1,185	-3.7	0.5	
from United States	21,716	20,927	122,977	122,222	-789	-3.6	-0.6	
Trade Balance	5,788	8,626	29,216	38,277	2,838			
with United States	9,044	10,737	46,794	52,587	1,693			
Exports by Commodity								
Agriculture/Fishing Products	2,753	2,961	14,556	15,786	208	7.6	8.5	
Energy Products	6,035	6,427	32,189	33,082	392	6.5	2.8	
Forestry Products	3,634	3,534	16,812	19,640	-100	-2.8	16.8	
Industrial Goods & Materials	6,394	7,027	32,996	38,332	633	9.9	16.2	
Machinery & Equipment	7,766	8,191	45,860	45,934	425	5.5	0.2	
Automotive Products	7,938	8,060	44,295	45,457	122	1.5	2.6	
Other Consumer Goods	1,526	1,567	8,710	8,875	41	2.7	1.9	
Imports by Commodity								
Agriculture/Fishing Products	1,593	1,607	11,613	11,647	-48	-2.6	3.1	
Energy Products	1,956	2,083	10,080	11,091	127	6.5	10.0	
Forestry Products	273	280	1,534	1,542	7	2.6	0.5	
Industrial Goods & Materials	6,124	6,254	33,445	34,976	130	2.1	4.6	
Machinery & Equipment	9,585	8,603	49,927	51,112	-982	-10.2	2.4	
Automotive Products	6,620	6,451	39,882	37,592	-169	-2.6	-5.7	
Other Consumer Goods	1,125	1,193	21,417	21,295	-95	-5.0	0.5	

LABOUR MARKET TRENDS



Employment and Unemployment

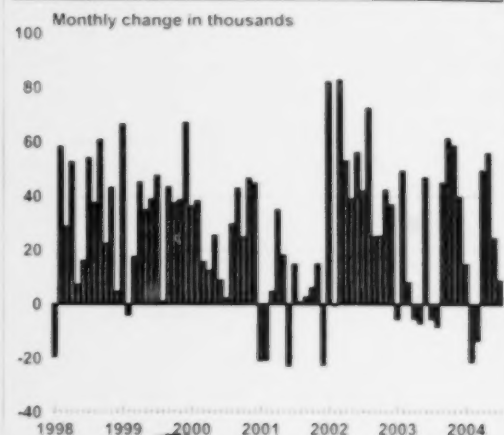
Employment edged up slightly in July...

- Employment edged up 9,000 in July, following an increase of 25,000 in June. Since August 2003, when the recent upward trend began, employment has increased 325,000 (2.1%), with full-time employment rising 304,000 and part-time employment 21,000.
- Hours worked increased 1.3% in July and 2.3% since the start of 2004.
- Adult employment rose by 22,000 in July, raising job gains since the start of 2004 to 102,000. Meanwhile, youth employment decreased by 14,000, lowering year-to-date gains to 18,000.
- Private sector employment (i.e. paid employees and self-employed) rose by 39,000 jobs in July, with gains since the beginning of the year reaching 75,000, mostly in self-employed. Meanwhile, public sector employment declined by 30,000 in July, lowering gains since last December to 45,000 (1.5%).
- The participation rate edged down to 67.4% and the employment rate remained at 62.6%. These are close to the all-time highs posted in December 2003.

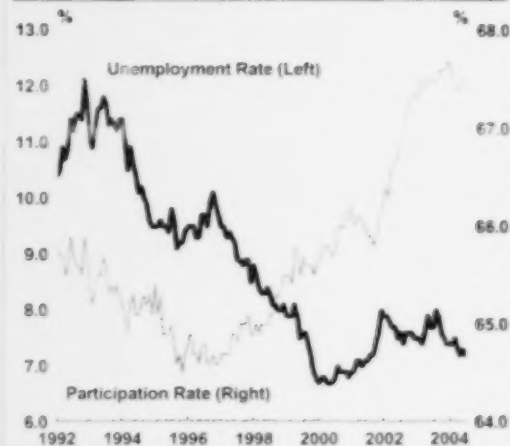
...and the unemployment rate edged down to 7.2%

- The unemployment rate edged down 0.1 percentage point to 7.2% in July, following a 0.1 point increase in June. July's drop was due to both a decrease in the labour force and an increase in employment. The unemployment rate for adults fell 0.2 point to 5.9%, but the youth unemployment rate rose 0.1 point to 13.4%.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 July	2004 June	2004 July	last month	last year	year-to- date	last month	last year
Employment	15,723.7	16,031.5	16,040.2	8.7	316.5	119.5	0.1	2.0
Full-time	12,764.1	13,098.2	13,059.3	-38.9	295.2	142.1	-0.3	2.3
Part-time	2,959.5	2,933.2	2,980.9	47.7	21.4	-22.5	1.6	0.7
Youth 15-24	2,393.4	2,450.6	2,436.9	-13.7	43.5	18.1	-0.6	1.8
Adult 25+	13,330.3	13,580.9	13,603.3	22.4	273.0	101.5	0.2	2.0
Self-employed	2,419.8	2,466.2	2,476.5	10.3	56.7	39.1	0.4	2.3
Unemployment	1,320.8	1,254.6	1,235.5	-19.1	-85.3	-31.3	-1.5	-6.5
Unemployment Rate	7.7	7.3	7.2	-0.1	-0.5	-0.2		
Youth 15-24	14.1	13.3	13.4	0.1	-0.7	-0.6		
Adult 25+	6.5	6.1	5.9	-0.2	-0.6	-0.2		
Labour Force	17,044.5	17,286.1	17,275.7	-10.4	231.2	88.3	-0.1	1.4
Participation Rate	67.5	67.5	67.4	-0.1	-0.1	-0.3		
Employment Rate	62.2	62.6	62.6	0.0	0.4	-0.1		

LABOUR MARKET TRENDS



Industry Overview

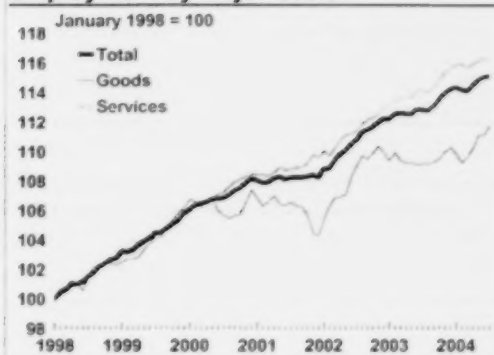
Employment in the Goods sector resumed growth ...

- Employment in the Goods sector resumed growth by increasing by 22,000 in July, after a virtually flat performance in June. Gains of 21,000 jobs in Manufacturing and 19,000 in Construction more than offset small losses in the other three sectors.
- So far this year, the Goods sector has gained 52,000 jobs, including a gain of 43,000 in Construction and 24,000 in Manufacturing. The employment level in Manufacturing is still below its peak of August 2002.

...while employment in the Services sector edged down

- Employment in Services decreased 13,000 in July, following increases of 23,000 in May and 25,000 in June. Service employment has risen 68,000 so far this year. The largest gains occurred in Professional, Scientific & Technical Services, Transportation & Warehousing and Trade. Educational Services has posted the largest loss. On a year-over-year basis, the Services sector has gained 225,000 jobs.
- In July, the largest job gains were posted in Professional, Scientific & Technical Services (18,000). The largest losses were posted by Health Care & Social Assistance (24,000) and Educational Services (20,000).

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 July	2004 June	2004 July	last month	last year	year-to- date	last month	last year
Goods-producing	3,975.5	4,045.1	4,067.0	21.9	91.5	51.7	0.5	2.3
Agriculture	334.6	340.0	330.8	-9.2	-3.8	-15.7	-2.7	-1.1
Natural Resources*	291.2	298.7	293.4	-5.3	2.2	-2.6	-1.8	0.8
Utilities	132.1	137.4	134.1	-3.3	2.0	3.4	-2.4	1.5
Construction	935.3	980.8	999.9	19.1	64.6	42.8	1.9	6.9
Manufacturing	2,282.3	2,288.1	2,308.8	20.7	26.5	23.8	0.9	1.2
Services-producing	11,748.2	11,986.4	11,973.1	-13.3	224.9	67.7	-0.1	1.9
Trade	2,452.8	2,491.7	2,496.7	5.0	43.9	19.3	0.2	1.8
Transportation*	762.0	819.5	811.4	-8.1	49.4	29.2	-1.0	6.5
FIRE*	931.8	977.0	972.3	-4.7	40.5	15.6	-0.5	4.3
Professional/Scientific	1,004.5	1,014.4	1,032.5	18.1	28.0	48.0	1.8	2.8
Business/Building	612.6	622.3	628.7	6.4	16.1	-8.9	1.0	2.6
Educational Services	1,035.4	1,061.1	1,040.9	-20.2	5.5	-20.2	-1.9	0.5
Health Care/Social Assistance	1,687.8	1,757.1	1,733.6	-23.5	45.8	1.4	-1.3	2.7
Information/Culture/Recreation	712.7	723.3	719.6	-3.7	6.9	2.6	-0.5	1.0
Accommodation & Food	1,017.1	1,014.9	1,018.3	3.4	1.2	-11.2	0.3	0.1
Other Services	713.8	690.0	695.9	5.9	-17.9	-3.7	0.9	-2.5
Public Administration	817.6	815.2	823.2	8.0	5.6	-4.4	1.0	0.7

*Natural Resources: Forestry, fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing

LABOUR MARKET TRENDS

Provincial Overview

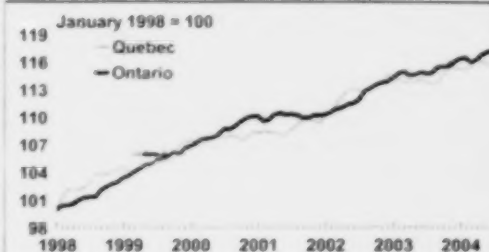
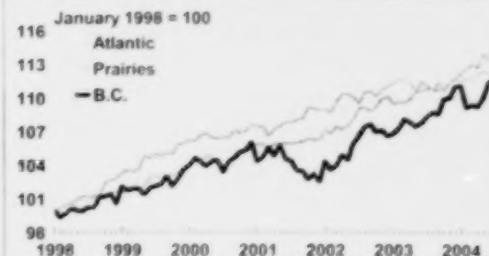
Job gains were concentrated in Quebec, Ontario and Newfoundland & Labrador...

- Employment in Quebec rose by 10,000 (0.3%) in July, with major contributions by Construction and Business Services. In Ontario, Manufacturing and Public Administration contributed to a gain of 9,000 jobs (0.1%). Newfoundland & Labrador gained 5,000 jobs (2.4%), bringing gains since the start of 2004 to 11,000 (5.1%).
- Alberta posted the largest job loss in July (13,000), largely due to Educational Services (10,000) and Finance (8,000). Manitoba lost 5,000 jobs, while other provinces posted job changes of 3,000 or less.
- On a year-over-year basis, all provinces posted gains, except Prince Edward Island (unchanged). The largest gains were in Newfoundland & Labrador (4.1%), Nova Scotia (3.6%) and British Columbia (3.0%). Ontario and Quebec gained 2.3% and 1.8%, respectively.

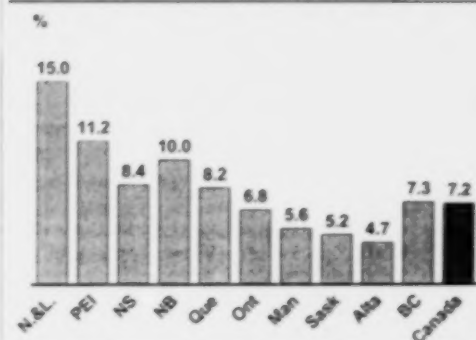
...and the unemployment rate edged down in most provinces

- The unemployment rate fell in six provinces, notably in Newfoundland & Labrador (1.6 percentage points to 15.0%), P.E.I. (0.8 point to 11.2%) and Nova Scotia (0.4 point to 8.4%), largely due to job gains. Smaller declines were posted in Ontario, B.C. and Manitoba, as the labour force fell in Manitoba and B.C.
- Only Alberta posted a slight unemployment rate increase (0.1 point to 4.7%) in July, largely due to job losses. The unemployment rate was unchanged elsewhere.
- Since July 2003, the unemployment rate has fallen in most provinces, particularly in B.C., Quebec and Newfoundland & Labrador. However, it has risen in P.E.I. and Manitoba.

Regional employment patterns



Unemployment Rates -- July 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment Rate (%)		
	Levels	Change since		Change since	Levels	Change since	
	2004 July	last month (000's)	%	last year (000's)	2004 July	last month	last year
Canada	16,040.2	8.7	0.1	316.5	7.2	-0.1	-0.5
Newfoundland & Labrador	226.5	5.3	2.4	8.9	15.0	-1.6	-0.9
Prince Edward Island	69.5	1.5	2.2	0.0	11.2	-0.8	0.8
Nova Scotia	449.2	1.1	0.2	15.6	8.4	-0.4	-0.8
New Brunswick	354.1	2.3	0.7	9.4	10.0	0.0	-0.4
Quebec	3,702.5	9.6	0.3	65.6	8.2	0.0	-1.1
Ontario	6,355.2	8.6	0.1	139.9	6.8	-0.2	-0.4
Manitoba	570.8	-4.6	-0.8	0.4	5.6	-0.1	0.5
Saskatchewan	486.8	-3.0	-0.6	0.1	5.2	0.0	-0.3
Alberta	1,744.2	-13.3	-0.8	16.1	4.7	0.1	-0.1
British Columbia	2,081.5	1.2	0.1	60.5	7.3	-0.2	-1.2

PRICES and FINANCIAL MARKETS

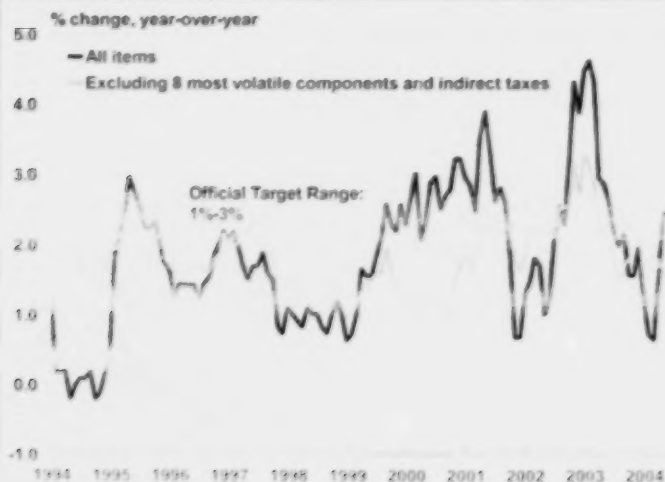
Consumer and Commodity Prices



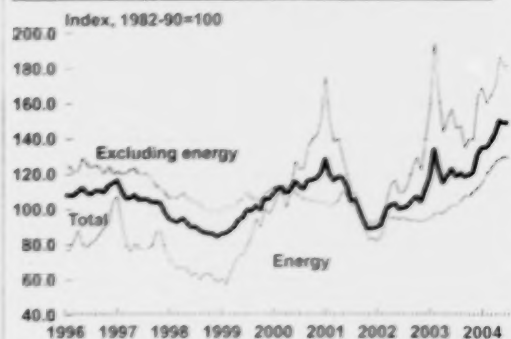
Inflation was 2.5% in June...

- On a year-over-year basis, the Consumer Price Index (CPI) rose 2.5% in June, the same increase as in May. Higher gasoline prices (24.5%) continued to exert upward pressure on the total CPI, along with higher prices for cigarettes, tuition, and higher homeowner's replacement costs. Excluding energy, inflation was 1.6% in June compared to 1.3% in May.
 - Except for Ontario, all ten provinces recorded higher inflation in June than in May. All provinces registered inflation above 2.0% in June ranging from 2.2% in New Brunswick to 2.9% in Manitoba and Saskatchewan.
 - On a month-to-month basis (seasonally adjusted), the CPI rose by 0.1% in June compared to 0.6% in May.
 - The year-over-year increase in commodity prices was 21.2% in June, which marked the third consecutive month that increases were over 20%. On a monthly basis, commodity prices fell 0.9%, following a 5.0% increase in May. Excluding energy prices, commodity prices increased 0.9% after increasing 1.2% in May.
- ...and the "core" rate rose to 1.7%**
- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose from 1.5% in May to 1.7% in June, below the midpoint of the 1%-3% official target range.

Consumer Price Index



Commodity Prices (\$US basis)



Consumer Prices

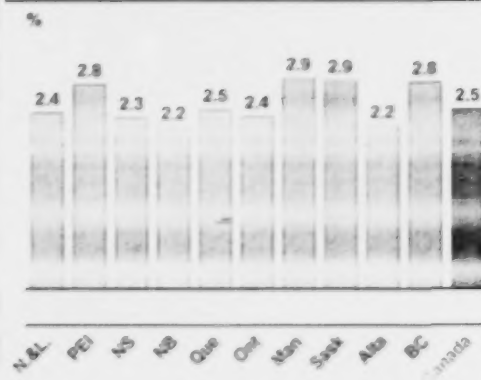
June 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	125.1	0.1	2.5
Food	125.6	1.0	1.9
Shelter	120.3	0.4	2.2
Household operations	115.0	-0.3	0.4
Clothing & Footwear	101.9	-0.9	0.9
Transportation	147.1	-0.7	5.4
Health & Personal Care	119.1	0.1	2.0
Recreation, Educ. & Reading	128.5	0.1	0.7
Alcohol & Tobacco	144.0	0.4	5.6
Excl. 8 Most Volatile Indirect Taxes	124.3	0.1	1.7
Energy	154.8	-0.9	13.0

Commodity Prices (July 2004)

Index, 1982-90=100	149.3	0.3	25.8
Excluding Energy	129.4	-0.2	26.5
Energy	182.5	0.9	24.9

Provincial CPI Inflation -- June 2004





Short-term and Long-term Interest Rates

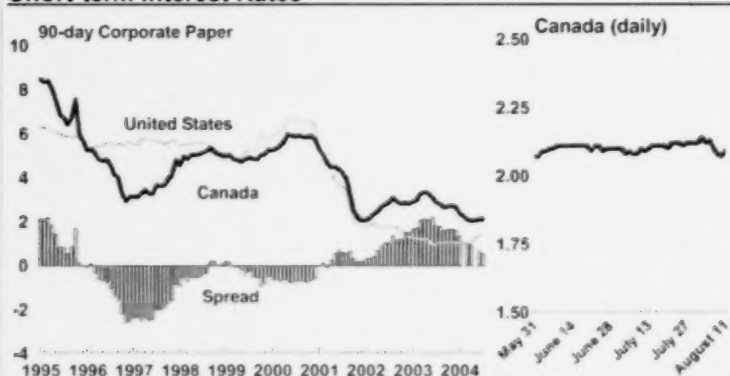
U.S. interest rates edged up again in August

- The U.S. Federal Reserve raised the federal funds rate another 25 basis points (bps) to 1.5% on August 10. According to the Fed's statement, the recent moderation of job creation and higher energy prices are not expected to significantly impact sustainable growth and price stability in the U.S. In Canada, monetary authorities have so far maintained the target for the overnight rate at 2.0%. However, the Canadian economy likely performed better in the first half of the year than forecast in April, which the Bank of Canada will take into consideration for its next policy adjustment scheduled on September 8.
- The rate on three-month corporate paper in Canada was 2.09% on August 11, and has been about 2.10% for five months. Its U.S. counterpart was 1.62% on August 11, up from 1.0% in April, which narrowed the rate differential to 47 bps from 96 bps in April.

North American long-term rates fell further in August

- Despite optimistic outlooks from North American monetary authorities, evidence of a slowdown in the U.S. economic expansion, including lower than expected second quarter GDP growth, impacted long-term bond yields in recent weeks. U.S. 10-year yields fell to 4.30% on August 11. Canadian yields also fell in recent weeks, reaching 4.60% on August 11, down from about 5.0% in mid-June.
- One-year mortgage rates were 4.40% on August 11, lower than July's rates. Five-year mortgage rates fell to 6.30% on August 11, down from 6.70% at the end of June.

Short-term Interest Rates

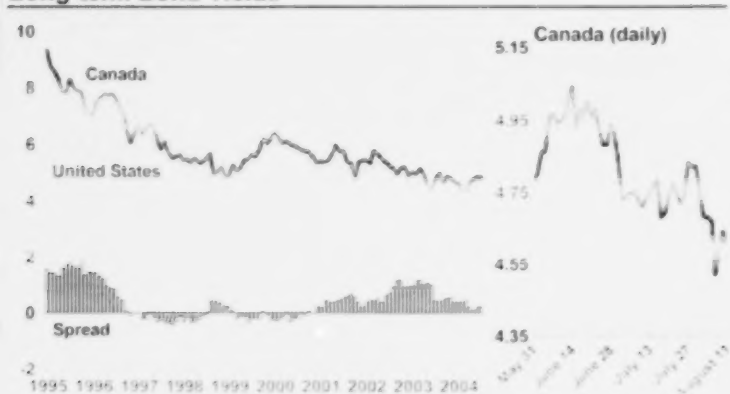


Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
February	2.25	N/A	4.41	0.39
March	2.10	1.07	4.33	0.47
April	2.05	0.96	4.71	0.21
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July	2.12	0.55	4.82	0.21
Aug. 11*	2.09	0.47	4.60	0.30

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics

Long-term Bond Yields



Key Lending Rates

(end of period)	Overnight Lending Rate	Prime Lending Rate	Mortgage Rate	
			1 year	5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
February	2.50	4.25	4.30	5.80
March	2.25	4.00	4.30	5.70
April	2.00	3.75	4.45	6.15
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July	2.00	3.75	4.60	6.55
Aug. 11*	2.00	3.75	4.40	6.30

* Bank of Canada's Weekly Financial Statistics

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices



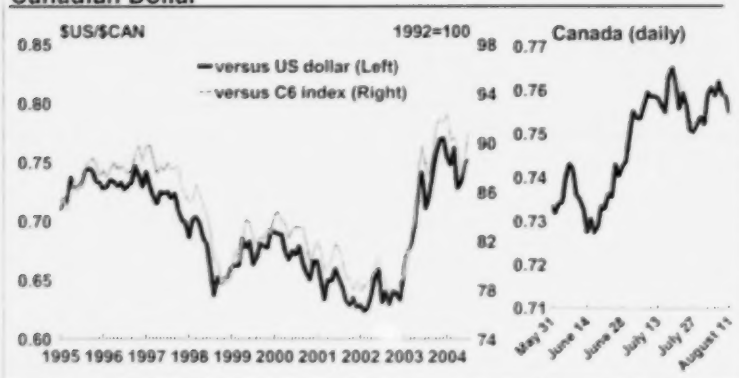
The Canadian dollar strengthened further in July

- A narrowing spread between U.S. and Canadian interest rates appeared to have little impact on the Canadian dollar in July and early August. It closed at US¢75.5 on August 11 and has traded over US¢75 since the beginning of July. The sustained strength in the Canadian dollar, which has risen 3.8% against the U.S. dollar since mid-June, was likely due to evidence of good economic performance in Canada in the second quarter combined with some unexpected weakness in the U.S. economy.
- The Canadian dollar has performed well against the euro, appreciating 4.8% from mid-June to early August. The dollar then lost about 2.0% in a week to close at 1.62 on August 11. The Canadian dollar appreciated 5.1% against the Japanese yen from mid-June to August 11.

North American stock markets paused in July

- Record high oil prices and disappointing employment data at the beginning of August in the United States as well as in Canada contributed to a decline in North American equity markets in July and early August. The S&P/TSX closed at 8,168 on August 11, down 3.4% since July 30. Except for a rise at the end of July, the S&P/TSX index mostly fell over the last month. Most sub-indices fell in July, including gold, metals & mining, and telecommunications.
- The Dow Jones closed on August 11 at 9,938, 2.4% below its recent high on August 2. Since June 23 (10,480), the index has also steadily fallen except for a brief rise in early August.

Canadian Dollar



The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	N/A	N/A
2003	0.7713	91.65	1.628	82.86
February	0.7487	90.19	1.669	81.60
March	0.7626	90.55	1.615	79.53
April	0.7288	89.74	1.644	80.54
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July	0.7522	91.00	1.599	83.64
Aug. 11	0.7549	*90.96	1.618	83.72

* Bank of Canada's Weekly Financial Statistics

Stock Market Indices



Key Stock Market Indexes

	% change from		
	July Close	last month	last year
S&P/TSX	8,458	-1.0	16.5
Energy	179	5.7	35.1
Metals & Mining	218	-3.0	54.8
Utilities	140	-0.7	-4.0
Materials	145	-3.0	20.4
Industrial	72	-3.2	2.8
Financial	143	1.6	19.6
Gold	169	-5.1	6.0
Telecommunication	62	5.1	3.1
Information Technology	31	-15.3	47.9
Consumer Discretionary	87	-4.0	10.7
Consumer Staples	174	-1.6	5.8
S&P 500	1,101.7	-3.4	11.3
Dow Jones	10,140	-2.8	9.8

THE UNITED STATES ECONOMY



U.S. Economic Trends

U.S. economic growth slowed in the second quarter...

- According to advanced estimates, real GDP growth was 3.0% (annual rate) in the second quarter of 2004, down from 4.5% growth (upwardly revised from 3.9%) in the first quarter. Consumer spending growth slowed to 1.0%, the lowest growth rate in three years, and was the main factor behind the deceleration. On the other hand, business investment (8.9%) expanded for the fifth consecutive month and exports and residential investment posted strong gains.
- Productivity growth (non-farm business) in the second quarter was 2.9%, which was lower than 3.8% in the first quarter, but a good performance nonetheless.

...but the slowdown is expected to be temporary

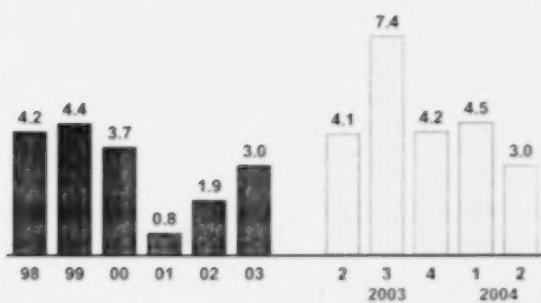
- Recent indicators suggest that economic performance firmed in July. Retail sales rose 0.7%, including a 2.4% rise in vehicle sales, and surveys suggest consumer confidence rose. Likewise, the Institute of Supply Management (ISM) manufacturing index rose from already high levels, and industrial production advanced 0.4% in July. On the downside, non-farm employment increased only 32,000 in July compared with expectations of 241,000, following downward revisions for June. However, a continued strong performance in business investment, which averaged 10.3% over the last five quarters, could help sustain growth if the weakness in the labour market negatively impacts consumer spending.

Inflation moderated somewhat in July

- The CPI increased 3.0% in July (year-over-year) compared to 3.3% in June. Energy prices rose less in July (14.4%) compared to June (16.8%) which contributed to the lower rate of inflation. Core inflation (which excludes food and energy) also fell to 1.8% from 1.9% in June.

U.S. Real GDP Growth

% change, SAAR



U.S. Non-Farm Payrolls

Monthly change in thousands



U.S. Consumer Price Inflation

% change, year-over-year



U.S. Unemployment & Participation Rates



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - July	August 24
Financial Statistics for Enterprises - 2nd Quarter 2004	August 26
Balance of International Payments - 2nd Quarter 2004	August 30
National Economic and Financial Accounts - 2nd Quarter 2004	August 31
Real GDP by Industry - June	August 31
Key Policy Interest Rate Announcement	September 8
Labour Force Survey - August	September 10
Canadian International Merchandise Trade - July	September 10
Monthly Survey of Manufacturing - July	September 15

UNITED STATES

GDP - 2nd Quarter 2004 (preliminary)	August 27
The Employment Situation - August	September 3
International Trade in Goods and Services - July	September 10
Consumer Price Index - August	September 16
Federal Open Market Committee Meeting	September 21

Note: The August 2004 MEI uses data available as of August 13, 2004



Industry
Canada

Industrie
Canada

Monthly Economic Indicators

September 2004

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

September 2004

HIGHLIGHTS

-  **Economic growth increased to 4.3% in the second quarter from 3% in the first, largely reflecting strong foreign demand.**
-  **Employment edged down in August, as full-time employment continued to rise (15,000) while part-time employment fell (22,000). The unemployment rate remained at 7.2%.**
-  **Recent indicators, including exports, housing starts and auto sales point to a moderation of growth in the third quarter.**
-  **In the United States, economic growth moderated to 2.8% in the second quarter and recent indicators point to continued growth in the third.**
-  **The Bank of Canada raised its over-night rate by 25 basis points to 2.25 per cent, indicating that the economy was now close to its production capacity.**
-  **The Canadian dollar closed at over 77 US cents on September 15, near a 10-year high in January and up 7.5% from a recent low of 71.7 US cents in May.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,044.2	0.3	3.3	June
Goods	328.8	0.2	4.5	June
Services	716.7	0.4	2.7	June
Composite Index	198.5	0.6	9.2	July
Employment (000's)	16,033	0.0	2.0	Aug.
Full-time	13,075	0.1	2.5	Aug.
Part-time	2,959	-0.8	0.0	Aug.
Unemployment* (%)	7.2	7.2	8.0	Aug.
Youth*	13.7	13.4	14.4	Aug.
Adult*	6.0	5.9	6.7	Aug.
CPI inflation*	2.3	2.5	2.2	July
Retail Sales (\$M)	28,694	0.2	4.9	June
Housing Starts (000's)**	241.5	10.5	3.4	Aug.
Trade Balance* (\$M)	6,244	7,547	4,626	July
Exports	37,685	-1.2	14.1	July
Imports	31,441	2.8	10.7	July
M&E	8,711	-1.8	5.7	July

	August		
	September 15*** 2004	2004	2003
3-mth Corp. paper (%)*	2.42	2.22	2.80
Long bond yield (%)*	4.63	4.68	4.96
Canadian dollar (US¢)*	77.09	76.16	72.17

*Data in levels only - % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html



Industry Industrie
Canada Canada

Canada

MONTHLY ECONOMIC INDICATORS

September 2004

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This issue uses data available as of September 15, 2004. It has been prepared by Eric Chailfoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Sue Moore, and François Rémbois of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

Please address comments to Hossein Rostami at (613) 995-8452 or through the Internet at rostami.hossein@bc.gc.ca.

THE ECONOMY

National Economic and Financial Accounts



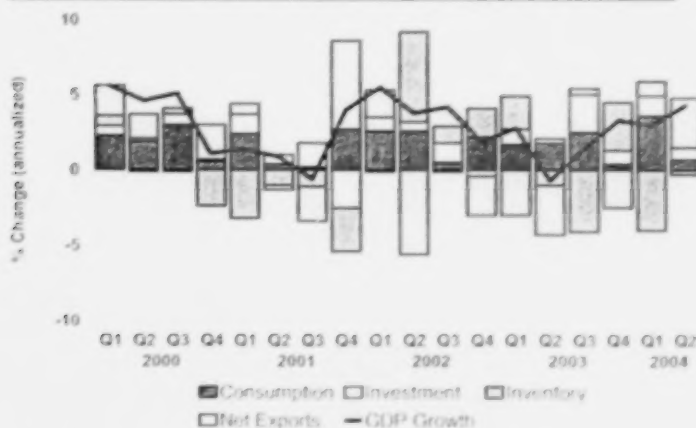
Fueled by a surge in exports, the economy accelerated in the second quarter...

- Real gross domestic product (GDP) increased 4.3% (all rates annualized) in the second quarter after increasing 3.0% in the previous quarter.
- Exports surged 21.6% due to widespread increase in goods exports. With import growth (13.3%) advancing at a slower pace, net exports added 3.4 percentage points to GDP growth.
- Growth in final domestic demand moderated to 1.7% in the second quarter from 5.9% in the first. Consumer spending advanced 1.3% compared to 6.4% growth in the first, mostly due to slower spending on semi-durable (2.3%) and durable goods (3.7%).
- Business inventory accumulation slowed further from \$1.0 billion in the first quarter to \$0.1 billion in the second quarter. Farm inventories accumulated while non-farm (manufacturers, retailers, and wholesalers) inventories were depleted, which led to a further decline in the inventory-to-sales ratio to a record low.

...and personal income and profits rose further

- Personal disposable income rose 8.0% in the second quarter, up from 6.6% in the first. With consumer spending increasing slower than disposable income, the savings rate rose from 0.8% in the first quarter to 1.5%.
- Corporate profits rose 28.6% following a 35.8% increase in the first quarter. With healthy profit gains by manufacturers, oil and gas producers, and retailers, corporate profits remained around 13% of GDP in the second quarter (compared to the historical average of 10%).

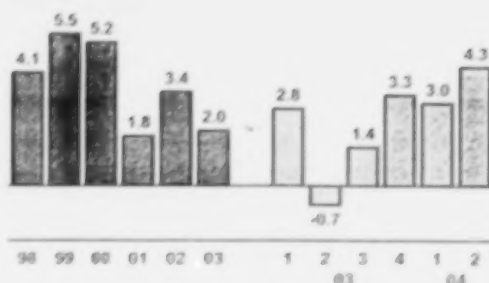
Contributions to Quarterly Real GDP Growth* (Annualized)



* For the purpose of simplification and given their relative stability over time, contributions from government expenditures are not shown.

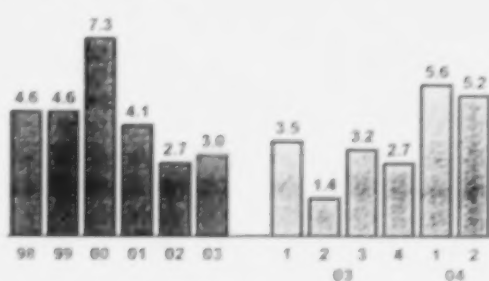
Real GDP Growth

% Change, SAAR



Growth in Personal Income

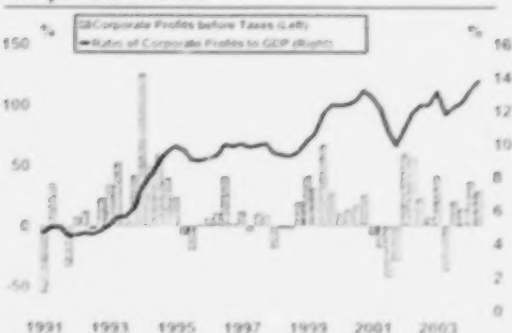
% Change, SAAR



Personal Debt and Savings Rate



Corporate Profits



THE ECONOMY

International Accounts



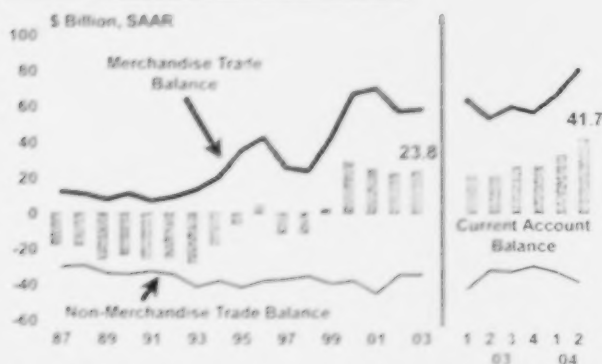
Current account balance posted a twentieth consecutive surplus in the second quarter...

- Canada's current account surplus rose \$2.2 billion to \$10.4 billion (\$41.7 billion annualized) in the second quarter, the second highest level ever. The increase was led by the merchandise trade surplus.
- The surplus on trade in goods reached \$20.0 billion (\$80.2 billion annualized) as exports rose (10.1%) more than imports (7.8%). The increase in exports was led by automotive products, industrial goods, and energy products.
- The deficit in services edged down (\$0.1 billion) to \$2.9 billion. Moreover, the deficit on investment income increased \$1.5 billion to \$6.8 billion, as profits earned by foreign direct investors rose markedly.

...while Canadian direct investment abroad reached record levels

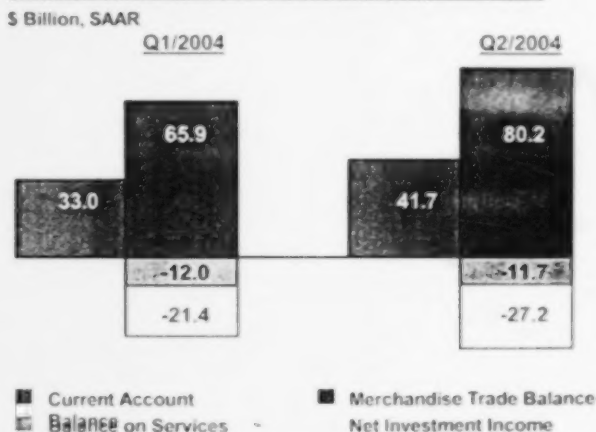
- Canadian direct investment abroad surged to \$33.0 billion, due to acquisitions that included the largest Canadian takeover of a foreign company (Manulife of Canada bought John Hancock Insurance in the U.S.). Foreign direct investment in Canada decreased to \$3.3 billion from \$5.0 billion, driven by reinvested earnings. Most of the investment went into the machinery and transportation industries. On the other side, the same acquisitions which involved an exchange of shares helped push foreign portfolio investment into Canada to \$22.9 billion, the largest amount in ten quarters.

Current Account & Trade Balances

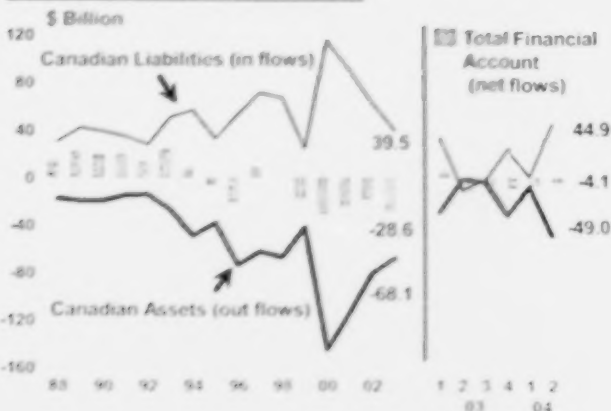


The merchandise trade balance represents net exports of goods.
The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

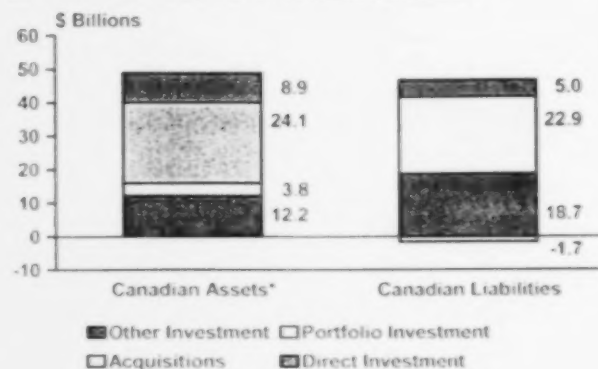
Main Components of the Current Account



Financial Account (Net Flows)



Financial Account Components, Q2/2004



* Reverse of BOP sign

Productivity & Competitiveness



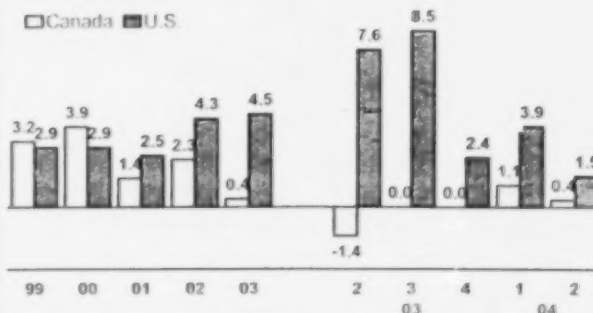
Productivity grew slower in Canada than the U.S. in the second quarter...

- Labour productivity in Canada's business sector rose 0.4% (annual rate) in the second quarter, as real GDP growth slightly exceeded the increase in hours worked. Since the strong gain of 4.3% in the first quarter of 2003, productivity has been virtually flat for five consecutive quarters. Meanwhile, although it slowed considerably, labour productivity growth in the U.S. (1.5%) outpaced that of Canada for the fifth straight quarter. Both U.S. output (3.2%) and the number of hours worked (1.6%) increased in the second quarter.

Productivity Growth

% Change, SAAR

□ Canada ■ U.S.



Source: Industry Canada calculations

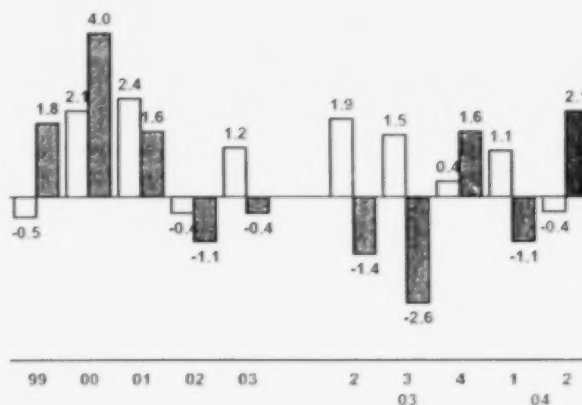
...but faster growth in U.S. wages...

- Canada's labour costs in the business sector declined 0.4% in the second quarter, as productivity edged up and wages remained unchanged. This was the first quarterly decrease since the third quarter of 2002. In the U.S., unit labour costs rose 2.1% as hourly compensation (3.7%) increased at a faster pace than productivity.

Growth in Unit Labour Costs*

% Change, SAAR

□ Canada ■ U.S.



* For the business sector

Source: Statistics Canada, U.S. Bureau of Labor Statistics and Industry Canada calculations.

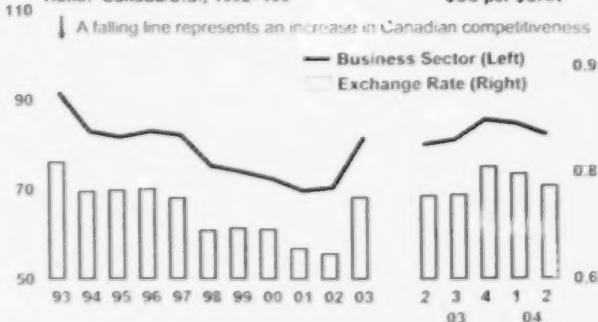
...and lower Canadian dollar improved Canada's relative competitiveness

- A decline in unit labour costs in Canada relative to that in the U.S., combined with the depreciation of the loonie vis-à-vis the U.S. currency, led to an improvement in competitiveness in the Canadian business sector. The small recovery in Canada's competitiveness in the past two quarters follow a substantial erosion, reflecting the appreciation of the Canadian dollar during 2003.

Unit Labour Cost Comparison (\$US)

Ratio: Canada/U.S.; 1992=100

\$US per \$CAN



Source: Statistics Canada & U.S. Bureau of Labor Statistics

THE ECONOMY

Real GDP by Industry



Economic activity continued to increase in June...

- Real GDP at basic prices rose 0.3% in June, the same pace as in the previous month and the fourth consecutive monthly increase. Higher exports spurred activity in the manufacturing and wholesaling sectors. Total output rose 1.1% in the second quarter, up from a 0.6% rise in the previous quarter.

...as output in the goods sector rose...

- Production in the goods sector increased 0.2% after growing 0.6% in May. The manufacturing sector, led by aerospace, automotive, fabricated metals, and machinery posted a stellar performance due to strong foreign demand. After surging in May, output in the mining and oil & gas sector declined, albeit the higher oil prices. Furthermore, construction activity fell after recording a strong increase in the previous month.

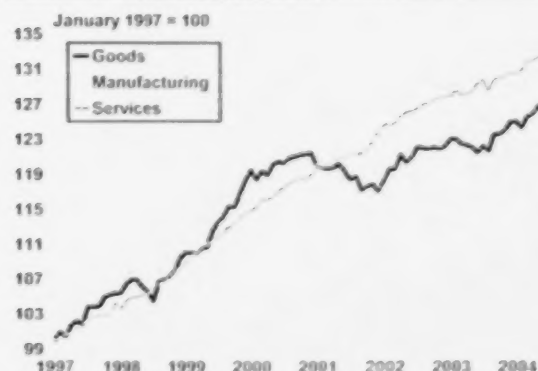
...and the service sector expanded

- Services-producing industries output rose 0.4% after increasing 0.2% in the previous month. The health care and social assistance sector rebounded strongly as a labour dispute came to an end in British Columbia. Moreover, wholesale trade was up 1.1%, as automotive production rose strongly.

Real GDP at Basic Prices



Real GDP by Major Sector



Real GDP at Basic Prices (1997 chained dollars)

June 2004

	\$ millions	monthly change	% Change since last month	year
Total Economy	1,044,176	3,433	0.3	3.3
Business Sector	886,491	2,023	0.2	3.7
Goods-producing	328,756	674	0.2	4.5
Agri., Forest, Fish, Hunt*	24,065	174	0.7	2.4
Mining & Oil & Gas Extraction	38,453	-541	-1.4	4.6
Utilities	25,757	51	0.2	0.7
Construction	56,423	-549	-1.0	3.4
Manufacturing	182,649	1,905	1.1	5.7
Services-producing	716,701	2,797	0.4	2.7
Wholesale Trade	66,591	699	1.1	6.6
Retail Trade	58,247	175	0.3	3.1
Transportation & Warehousing	48,628	168	0.3	4.9
Information & Cultural	42,884	-16	0.0	1.1
FIRE**	209,656	22	0.0	2.7
Professional***	45,638	171	0.4	2.2
Admin. & Waste Mgmt	22,780	39	0.2	2.3
Education	46,241	405	0.9	1.8
Health & Social	61,630	750	1.2	1.2
Arts, Entertain. & Recreation	9,367	18	0.2	-0.5
Accommodation & Food	22,942	-74	-0.3	4.0
Other	24,487	81	0.3	1.7
Public Administration	58,838	336	0.6	1.0

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY

Consumer Spending and Attitudes



Consumption is slowing down...

- Real consumption grew 1.3% in the second quarter, following an increase of 6.4% in the first.
- Spending on durable and semi-durable goods as well as services increased at a slower pace while the consumption of non-durable goods registered a decrease.
- New motor vehicle sales rose 2.3% in July, following a 2.0% decrease in June. Preliminary data indicate a 1.3% decline in sales in August. Assuming no growth in September, new motor vehicle sales would slip 1.0% in the third quarter, following a 4.7% increase in the second.

...but consumer fundamentals are still strong

- Real personal disposable income increased 5.0% in the second quarter, following a 3.9% increase in the first. The savings rate rose to 1.5% in the second quarter, up from 0.8% in the first, as personal disposable income rose faster than consumer spending.
- The consumer confidence index remained at a high level in August and the survey showed improved sentiment regarding the purchase of big-ticket items.

Total Retail and Motor Vehicle Sales



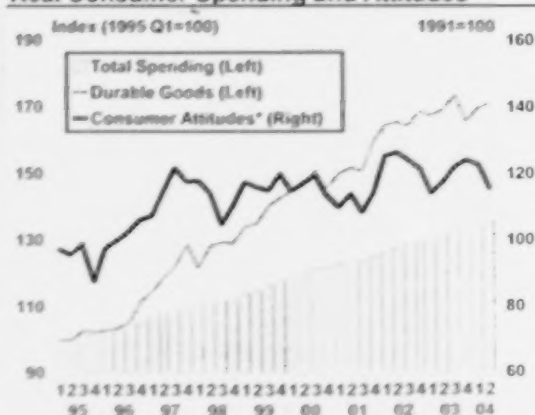
Retail Sales and Consumer Credit

	June 2004	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	28,694	0.2	4.9
Food	5,605	-0.4	2.7
Drug Stores	1,923	2.2	8.9
Clothing	1,652	-1.0	0.7
Furniture	1,820	-1.4	4.5
Automotive	9,708	1.5	5.0
General Merch. Stores	3,473	-0.4	3.1
All other Stores	4,513	-1.3	9.0
Total ex. motor vehicles	21,770	-0.5	6.4
Consumer Credit	257	1.0	9.8

Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2004 Q1	2004 Q2
	2002	2003		
Real Consumption (97\$)	601,594	620,444	635,614	637,677
% change	3.4	3.1	6.4	1.3
Durable Goods	93,099	94,923	95,286	96,145
% change	8.3	2.0	9.2	3.7
Semi-Durable Goods	54,472	56,142	58,391	58,720
% change	3.8	3.1	15.7	2.3
Non-Durable Goods	137,196	140,078	142,661	142,269
% change	2.3	2.1	5.3	-1.1
Services	317,627	330,098	339,967	341,399
% change	2.6	3.9	4.9	1.7
Disposable Income	692,691	713,548	731,080	745,344
% change	3.8	3.0	6.6	8.0
Saving Rate (%)	3.2	1.4	0.8	1.5
Debt-to-Income Ratio (%)	98.1	101.6	103.3	103.0

Real Consumer Spending and Attitudes



*Conference Board of Canada

THE ECONOMY

Business Investment

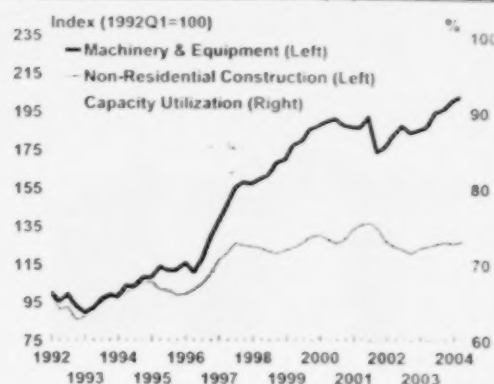
Business investment increased further in the second quarter...

- Business fixed investment rose 4.1% in the second quarter, following an upwardly-revised 4.8% increase in the first quarter.
 - Machinery & Equipment investment rose 4.5%, following a revised 9.6% increase in the first quarter.
 - Investment in non-residential structures rose 3.4%, following a decrease of 2.3% in the first.
- Helped by both rising exports and improved terms of trade, corporate operating profits rose by 17.5% in the second quarter, following an upwardly revised jump of 41.7% in the first.
 - Both manufacturing and oil and gas extraction industries registered impressive profit increases (53.2% and 51.4% respectively). Together, they accounted for over 2/3 of the second quarter's rise in corporate operating profits.

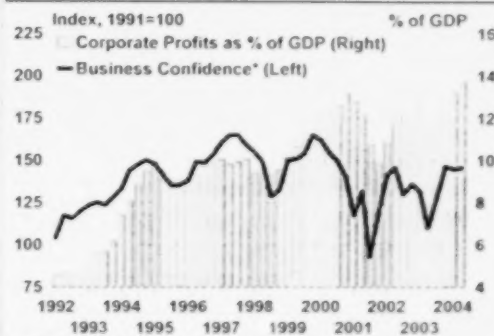
...and prospects are good for continued growth

- The manufacturing capacity utilization rate rose to 86.6% in the second quarter, a level not seen since the fourth quarter of 1999.
- The Business Confidence index remained high at the end of the second quarter (June). High levels of business confidence, capacity utilization and profits bode well for sustained growth in investment.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



*Conference Board of Canada

Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	88,229	88,920	90,973	91,985
% change	-1.2	4.5	17.8	3.2	9.6	4.5
Non-residential Construction (1997\$)	44,493	44,928	45,109	45,501	45,238	45,613
% change	-8.3	1.0	4.0	3.5	-2.3	3.4
Capacity Utilization (% , Non-farm goods)	82.3	82.1	81.3	83.0	83.4	84.6
Capacity Utilization (Mfg. sector)	83.3	83.0	81.6	84.2	85.0	86.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	171,528	178,676	194,936	202,952
% change	4.8	14.8	22.8	17.7	41.7	17.5
Profits - Non-financial industries	115,798	128,203	125,872	131,604	143,232	153,088
% change	8.8	10.7	19.0	19.5	40.3	30.5
Profits - Financial industries	34,169	43,915	45,656	47,072	51,704	49,860
% change	-6.8	28.5	34.2	13.0	45.6	-13.5
Business Credit	892,255	907,824	908,565	914,381	924,253	937,870
% change	3.9	1.7	1.6	2.6	4.4	6.0

THE ECONOMY

Housing

Housing activity remained brisk in the second quarter...

- Residential construction rose 6.1% in the second quarter following a 12% increase in the first.
- Sales of existing homes rose 33.7% in the second quarter, following a decline of 4.1% in the first. However, monthly figures seem to indicate a downward trend as sales decreased for a fourth consecutive month in July.

...but could soften somewhat in the third

- The value of residential building permits issued fell (10.3%) in July, following a 25.4% increase in June.
- Following a 5.8% decline in July, housing starts rose 10.5% in August. Assuming no growth in September, housing starts will show small (2.0%) growth in the third quarter, following a 13.5% increase in the second.
- In the resale market, the average house price in Canada was lower in June and July (2.4% and 1.6%, respectively) and could indicate the housing market is stabilizing. Nonetheless, compared to the corresponding period last year, it was 8.2% higher in July and 6.9% higher in June.
- Mortgage rates remain attractive, but have trended up and are expected to rise further. Most analysts expect a softening of housing activity in the coming quarters.



Housing Activity



Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,954	-1.3%	8.4%
Building Permits, \$M (2)**	3,111	-10.3%	10.8%
Sales of Existing Homes (3)*** (# of units)	27,090	-449	-2,474
Housing Starts, (3)*** (# of units, SAAR)	241,500	22,900	8,000
Newfoundland & Labrador	2,500	-100	-200
Prince Edward Island	800	-100	300
Nova Scotia	4,900	800	0
New Brunswick	3,700	0	-1,100
Quebec	53,900	-3,000	-6,800
Ontario	92,500	11,300	6,600
Manitoba	7,400	2,500	2,200
Saskatchewan	4,000	1,000	400
Alberta	33,100	1,100	-3,600
British Columbia	38,700	9,400	10,200

1 - June data; 2 - July data; 3 - August data

Sources: *Statistics Canada; **Canadian Real Estate Association; ***Canada Mortgage and Housing Corporation

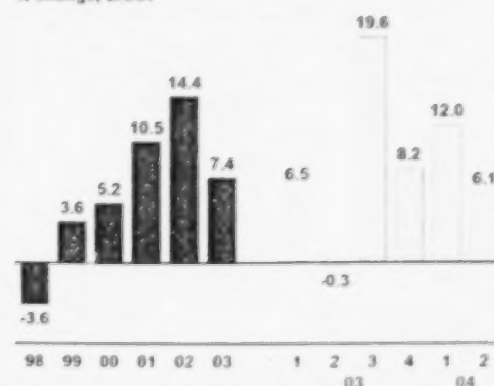
Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2004 Q1	2004 Q2
Residential Construction	58,133	62,452	66,634	67,632
% change	14.4	7.4	12.0	6.1
New Housing	28,900	30,678	33,072	33,449
% change	23.2	6.2	12.9	4.6
Alterations & Improvements	20,600	22,619	24,000	24,040
% change	4.7	9.8	13.1	0.7
Ownership & Transfer Costs	8,639	9,204	9,628	10,128
% change	11.5	6.5	7.1	22.4

Growth in Real Residential Construction

% change, SAAR



THE ECONOMY

Trade and Competitiveness



Exports fell and imports rose in July...

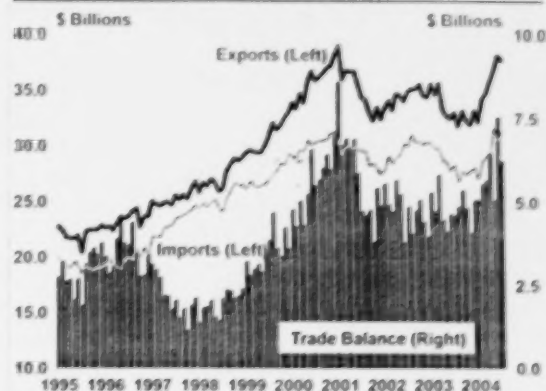
- Merchandise exports decreased 1.2% in July, putting an end to a string of five consecutive monthly increases. All principal commodity groupings posted a decrease except energy products. Furthermore, exports to all major trading areas declined with the exception of Japan and the European Union. Exports to China rose substantially in the first seven months of 2004. China is now the fourth destination in importance for Canadian exports. Export prices were unchanged in July.

- Imports increased 2.8% in July, largely reflecting increased imports of automotive products, industrial goods & materials, other consumer goods and high energy prices. Moreover, imports from almost all major principal trading regions posted an increase. Import prices declined 1.2% and import volumes rose 4.0%.

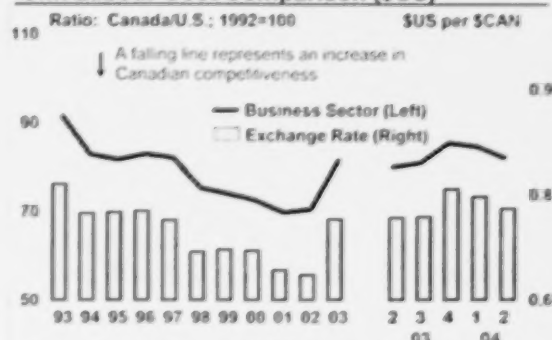
...and the trade surplus decreased

- As a result of lower exports and higher imports, Canada's trade surplus declined to \$6.2 billion in July. The trade surplus with the U.S. decreased to \$8.8 billion and the deficit with other countries was virtually unchanged. Nonetheless, year-to-date, exports rose 5.2% and imports increased 2.2% compared to the same period of the previous year. Furthermore, over the same period the trade surplus increased \$7.9 billion to \$41.7 billion.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

Merchandise Trade

July 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	June 2004	July 2004	Jan.-July 2003	Jan.-July 2004	June to July 2004	June to July 2004	
Exports	38,127	37,685	237,456	249,768	-442	-1.2	5.2
to United States	30,999	30,623	197,301	203,616	-376	-1.2	3.2
Imports	30,580	31,441	203,614	208,048	861	2.8	2.2
from United States	20,965	21,837	142,761	144,280	852	4.1	1.1
Trade Balance	7,547	6,244	33,842	41,720	-1,303		
with United States	10,014	8,786	54,540	59,336	-1,228		
Exports by Commodity							
Agriculture/Fishing Products	2,903	2,884	16,922	18,623	-19	-0.7	10.1
Energy Products	6,177	6,292	37,558	38,770	115	1.9	3.2
Forestry Products	3,534	3,462	19,675	23,071	-72	-2.0	17.3
Industrial Goods & Materials	6,859	6,596	38,418	44,698	-263	-3.8	16.3
Machinery & Equipment	8,249	8,153	52,992	54,199	-96	-1.2	2.3
Automotive Products	7,970	7,602	51,677	52,972	-368	-4.6	2.5
Other Consumer Goods	1,551	1,503	10,095	10,338	-48	-3.1	2.4
Imports by Commodity							
Agriculture/Fishing Products	1,802	1,799	12,797	12,428	-3	-0.2	-2.9
Energy Products	1,993	2,197	11,750	13,295	204	10.2	13.1
Forestry Products	281	278	1,783	1,823	-3	-1.1	2.2
Industrial Goods & Materials	6,227	6,339	38,623	41,320	112	1.8	6.4
Machinery & Equipment	8,869	8,711	58,165	60,147	-158	-1.8	3.4
Automotive Products	6,496	7,025	46,228	44,759	527	8.1	-3.2
Other Consumer Goods	3,950	4,014	27,181	27,347	64	1.6	0.6

LABOUR MARKET TRENDS



Employment and Unemployment

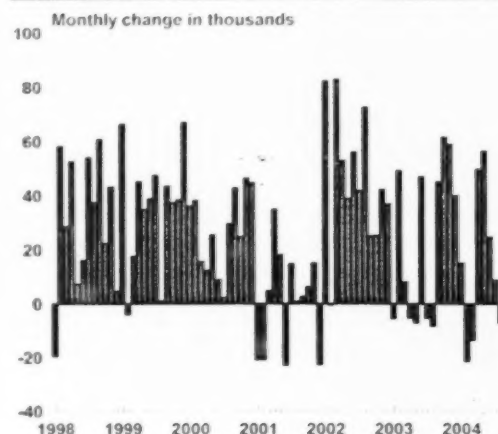
Employment was down slightly in August...

- Employment fell by 7,000 in August, following an increase of 9,000 in July. Since August 2003, when the recent upward trend began, employment has increased 318,000 (2.0%), all full-time positions.
- Hours worked increased 0.2% in August and 2.5% since the start of 2004.
- Adult employment rose by 21,000 in August, raising job gains since the start of 2004 to 122,000. Meanwhile, youth employment decreased by 28,000, resulting in year-to-date losses of 10,000.
- Private sector employment (i.e. paid employees and self-employed) rose by 14,000 jobs in August, with gains since the start of the year reaching 89,000. Meanwhile, public sector employment declined by 21,000, lowering job gains since last December to 23,000 (0.8%).
- The participation rate was unchanged at 67.4% in August and the employment rate edged down 0.1 percentage point to 62.5%. These are close to the all-time highs posted in December 2003.

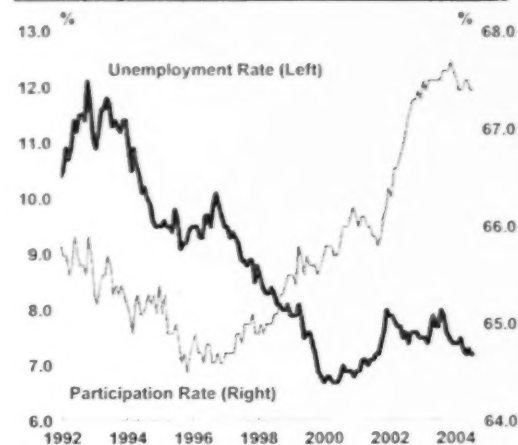
...and the unemployment rate remained unchanged at 7.2%

- The unemployment rate was unchanged in August after edging down 0.1 percentage point to 7.2% in July. The unemployment rate for adult men edged down, while those for adult women and youths edged up. The unemployment rate was 6.0% for adults and 13.7% for youths.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 August	2004 July	2004 August	last month	last year	year-to- date	last month	last year
Employment	15,715.6	16,040.2	16,033.2	-7.0	317.6	112.5	0.0	2.0
Full-time	12,755.9	13,059.3	13,074.7	15.4	318.8	157.5	0.1	2.5
Part-time	2,959.7	2,980.9	2,958.5	-22.4	-1.2	-44.9	-0.8	0.0
Youth 15-24	2,391.3	2,436.9	2,409.0	-27.9	17.7	-9.8	-1.1	0.7
Adult 25+	13,324.2	13,603.3	13,624.2	20.9	300.0	122.4	0.2	2.3
Self-employed	2,438.6	2,476.5	2,476.8	0.3	38.2	39.4	0.0	1.6
Unemployment	1,357.5	1,235.5	1,246.0	10.5	-111.5	-20.8	0.8	-8.2
Unemployment Rate	8.0	7.2	7.2	0.0	-0.8	-0.2		
Youth 15-24	14.4	13.4	13.7	0.3	-0.7	-0.3		
Adult 25+	6.7	5.9	6.0	0.1	-0.7	-0.1		
Labour Force	17,073.1	17,275.7	17,279.2	3.5	206.1	91.8	0.0	1.2
Participation Rate	67.5	67.4	67.4	0.0	-0.1	-0.3		
Employment Rate	62.2	62.6	62.5	-0.1	0.3	-0.2		

LABOUR MARKET TRENDS

Industry Overview



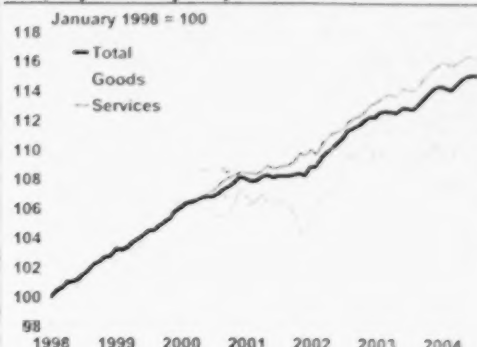
Employment in the Goods sector edged down...

- Employment in the Goods sector declined by 7,000 in August, after increasing by 22,000 in July. The loss of 20,000 jobs in Manufacturing and of 6,000 in Agriculture more than offset gains in Construction (9,000), Natural Resources (6,000) and Utilities (5,000).
- So far this year, the Goods sector has gained 45,000 jobs, with all categories posting gains, notably Construction (52,000), except Agriculture. Manufacturing employment has changed little in the last three months. Prior to this, the sector had created over 33,000 jobs from September 2003 to May 2004, recouping only one-third of manufacturing job losses since August 2002.

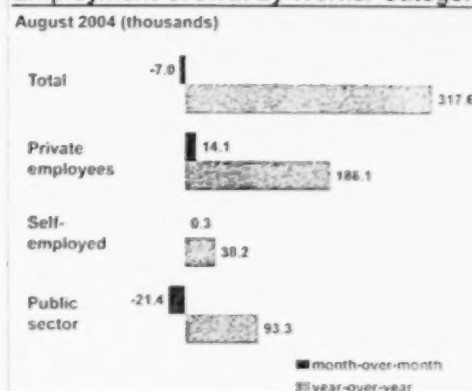
...while employment in the Services sector was virtually unchanged

- Employment in Services edged down 300 in August, following a decrease of 13,000 in July. In August, the largest job gains were posted in Finance, Insurance, Real Estate & Leasing (27,000). The largest losses were posted by Educational Services (29,000). The largest losses were posted by Educational Services (29,000).
- Service employment has risen 67,000 so far this year. Most groupings have posted job gains, notably Professional/Scientific (50,000) and Financial, Insurance, Real Estate & Leasing (43,000), while job losses have been concentrated in Educational Services (49,000), Accommodation & Food (29,000) and Public Administration (13,000). On a year-over-year basis, the Services sector has gained 232,000 jobs.

Employment by Major Sector



Employment Growth by Worker Category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 August	2004 July	2004 August	last month	last year	year-to- date	last month	last year
Goods-producing	3,974.4	4,067.0	4,060.4	-6.6	86.0	45.1	-0.2	2.2
Agriculture	334.7	330.8	325.0	-5.8	-9.7	-21.5	-1.8	-2.9
Natural Resources*	283.9	293.4	299.5	6.1	15.6	3.5	2.1	5.5
Utilities	135.3	134.1	138.8	4.7	3.5	8.1	3.5	2.6
Construction	942.5	999.9	1,008.8	8.9	66.3	51.7	0.9	7.0
Manufacturing	2,278.1	2,308.8	2,288.4	-20.4	10.3	3.4	-0.9	0.5
Services-producing	11,741.2	11,973.1	11,972.8	-0.3	231.6	67.4	0.0	2.0
Trade	2,456.5	2,496.7	2,485.8	-10.9	29.3	8.4	-0.4	1.2
Transportation*	765.8	811.4	806.2	-5.2	40.4	24.0	-0.6	5.3
FIRE*	932.5	972.3	999.2	26.9	66.7	42.5	2.8	7.2
Professional/Scientific	1,000.9	1,032.5	1,034.9	2.4	34.0	50.4	0.2	3.4
Business/Building	595.0	628.7	637.3	8.6	42.3	-0.3	1.4	7.1
Educational Services	1,037.7	1,040.9	1,012.2	-28.7	-25.5	-48.9	-2.8	-2.5
Health Care/Social Assistance	1,672.7	1,733.6	1,746.5	12.9	73.8	14.3	0.7	4.4
Information/Culture/Recreation	712.6	719.6	733.4	13.8	20.8	16.4	1.9	2.9
Accommodation & Food	1,022.6	1,018.3	1,001.0	-17.3	-21.6	-28.5	-1.7	-2.1
Other Services	714.8	695.9	701.5	5.6	-13.3	1.9	0.8	-1.9
Public Administration	830.2	823.2	815.0	-8.2	-15.2	-12.6	-1.0	-1.8

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.

LABOUR MARKET TRENDS



Provincial Overview

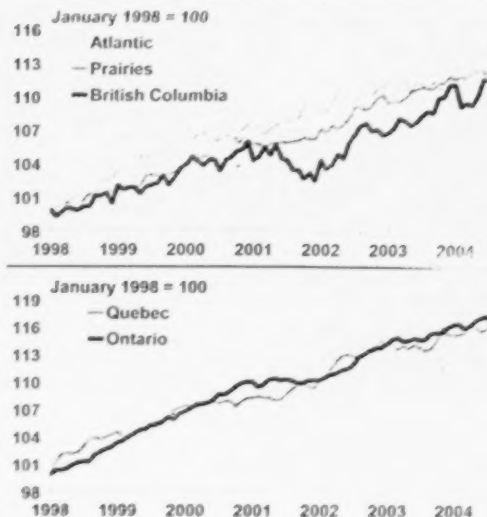
Job gains were concentrated in Quebec and Alberta...

- Employment in Quebec rose by 15,000 (0.4%) in August, with major contributions by Construction and Business Services. In Alberta, Construction, Finance and Agriculture contributed to a gain of 14,000 jobs (0.8%). Manitoba gained 4,000 jobs.
- Ontario posted the largest job loss in August (19,000), largely in Educational Services (20,000) and Manufacturing (20,000), reversing the gain in July. British Columbia lost 15,000 jobs, mostly youth (14,000) and concentrated in Trade (11,000). Newfoundland & Labrador lost 5,000 jobs. Other provinces posted job changes of 3,000 or less.
- On a year-over-year basis, all provinces posted gains, except Prince Edward Island (-0.6). The largest gains were in New Brunswick (4.8%), Nova Scotia (3.1%), and Quebec (2.6%). Ontario, Alberta and British Columbia each posted gains of 1.9%.

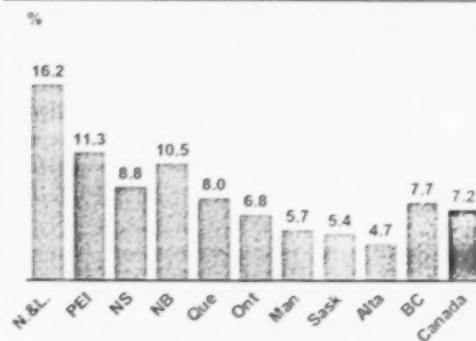
...while the unemployment rate rose in most provinces

- Job gains pushed the unemployment rate down in Quebec, while job losses pushed the unemployment rate up in Newfoundland & Labrador, Prince Edward Island, Nova Scotia and British Columbia. Labour force increases, not offset by job creation, pushed the unemployment rate up in New Brunswick, Manitoba and Saskatchewan.
- Since August 2003, the unemployment rate has fallen in most provinces, particularly in Quebec, Nova Scotia and British Columbia. The unemployment rate has risen in Prince Edward Island, Manitoba and Newfoundland & Labrador.

Regional employment patterns



Unemployment Rates -- August 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment Rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	2004 August	last month (000's)	%	last year (000's)	%		2004 August	last month	last year
Canada	16,033.2	-7.0	0.0	317.6	2.0		7.2	0.0	-0.8
Newfoundland & Labrador	221.2	-5.3	-2.3	1.8	0.8		16.2	1.2	0.5
Prince Edward Island	69.4	-0.1	-0.1	-0.4	-0.6		11.3	0.1	0.9
Nova Scotia	446.7	-2.5	-0.6	13.4	3.1		8.8	0.4	-1.5
New Brunswick	355.7	1.6	0.5	16.3	4.8		10.5	0.5	-0.5
Quebec	3,717.0	14.5	0.4	92.5	2.6		8.0	-0.2	-1.9
Ontario	6,336.4	-18.8	-0.3	118.2	1.9		6.8	0.0	-0.3
Manitoba	574.3	3.5	0.6	3.3	0.6		5.7	0.1	0.8
Saskatchewan	487.6	0.8	0.2	1.0	0.2		5.4	0.2	-0.2
Alberta	1,757.9	13.7	0.8	32.0	1.9		4.7	0.0	-0.5
British Columbia	2,067.0	-14.5	-0.7	39.5	1.9		7.7	0.4	-0.9



Inflation was 2.3% in July...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) moderated to 2.3% in July from 2.5% in June. Gasoline prices increased in July (17.9%), but at a slower rate than in June (24.5%). Excluding energy, inflation in July (1.6%) was the same as in June.
- Inflation moderated in all provinces except Ontario, where it was unchanged. Ontario experienced the smallest reduction in gasoline prices of all provinces.
- On a month-to-month basis (seasonally adjusted), the CPI was unchanged after rising 0.1% in June.
- The year-over-year increase in commodity prices was 25.0% in August following a 25.8% increase in July. On a monthly basis, commodity prices rose 1.0% following a 0.3% increase in July. Excluding energy prices, commodity prices rose 0.5% in August following a 0.2% decrease in July, the first decline in nine months.

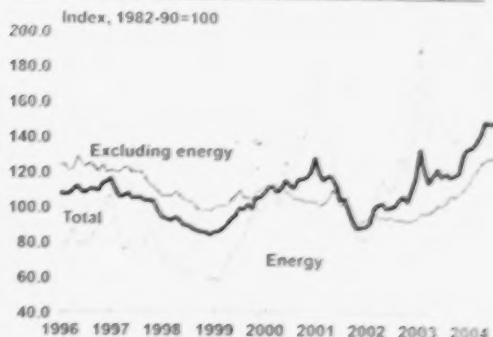
...and the "core" rate rose to 1.7%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, rose from 1.7% in June to 1.9% in July, just below the midpoint of the 1%-3% official target range.

Consumer Price Index



Commodity Prices (\$US basis)



Consumer Prices

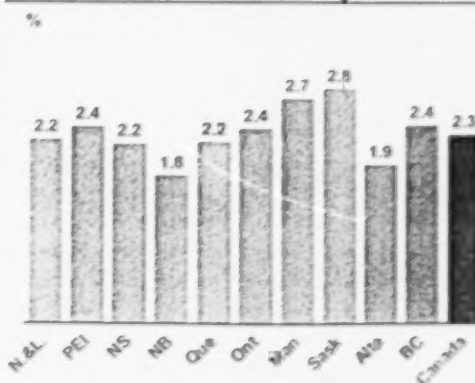
July 2004

	Index (1992=100)	% Change since last month	last year
All items CPI	125.0	-0.1	2.3
Food	125.6	0.0	1.9
Shelter	120.6	0.2	2.6
Household operations	114.9	-0.1	0.3
Clothing & Footwear	100.9	-1.0	-0.7
Transportation	146.2	-0.6	4.5
Health & Personal Care	119.2	0.1	2.0
Recreation, Educ. & Reading	128.9	0.3	0.8
Alcohol & Tobacco	144.2	0.1	5.6
Excl. 8 Most Volatile/indirect Taxes	124.5	0.2	1.9
Energy	152.3	-1.6	10.7

Commodity Prices (August 2004)

Index, 1982-90=100	150.8	1.0	25.0
Excluding Energy	130.1	0.5	24.4
Energy	185.4	1.6	26.0

Provincial CPI Inflation -- July 2004



PRICES and FINANCIAL MARKETS

Short-term and Long-term Interest Rates



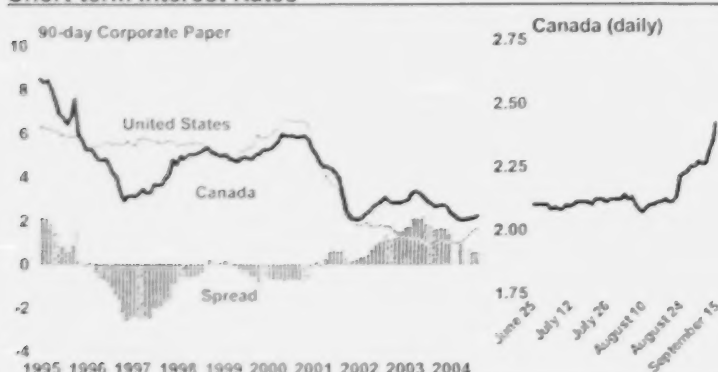
The Bank of Canada raised interest rates in September

- The Bank of Canada raised its target for the overnight rate by 25 basis points (bps) to 2.25% on September 8, indicating the Canadian economy grew faster in the first half of the year than the Bank had expected. With core inflation near the mid-point of its target range and the Canadian economy now operating close to production capacity, the Bank is expected to raise interest rates further in the coming months. In the United States, the Federal Reserve has raised its fed funds rate 50 bps to 1.50% since July. With growth showing signs of revival, the Fed is widely expected to raise its policy rate further on September 21.
- The rate on three-month corporate paper in Canada was 2.42% on September 13, up from 2.10% one month ago. Its U.S. counterpart was 1.77% on September 9 and has been steadily increasing from about 1.0% in April. The rate differential widened to 65 bps from a recent low of 46 bps in mid-August, but remained smaller than at the beginning of the year (160 bps).

Canadian long-term rates edged up

- Uncertainty about the strength of economic expansion in the United States continued to impact long-term bond yields in recent weeks. U.S. 10-year yields fell to 4.17% on September 13, down from 4.26% in August. On the other hand, rates in Canada have reflected its strong second quarter growth. Bond yields edged up from a recent low of 4.52% on August 6 to 4.62% on September 13.
- One-year mortgage rates were 4.60% on September 8 after dipping to 4.40% in mid-August. Five-year mortgage rates rose to 6.40% on September 8, up 10 bps from August.

Short-term Interest Rates

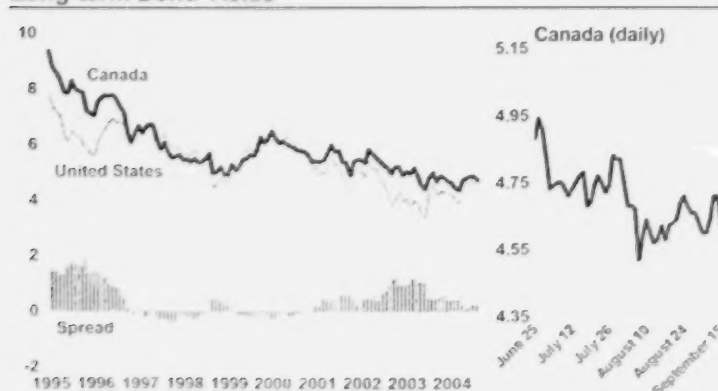


Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
March	2.10	1.07	4.33	0.47
April	2.05	0.96	4.71	0.21
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July	2.12	0.55	4.82	0.21
August	2.22	0.55	4.68	0.42
Sep. 15*	2.42	0.61	4.63	0.45

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics

Long-term Bond Yields



Key Lending Rates

(end of period)	Overnight Lending Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
March	2.25	4.00	4.30	5.70
April	2.00	3.75	4.45	6.15
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July	2.00	3.75	4.60	6.55
August	2.00	3.75	4.40	6.30
Sep. 15*	2.25	4.00	4.80	6.45

* Bank of Canada's Weekly Financial Statistics

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices



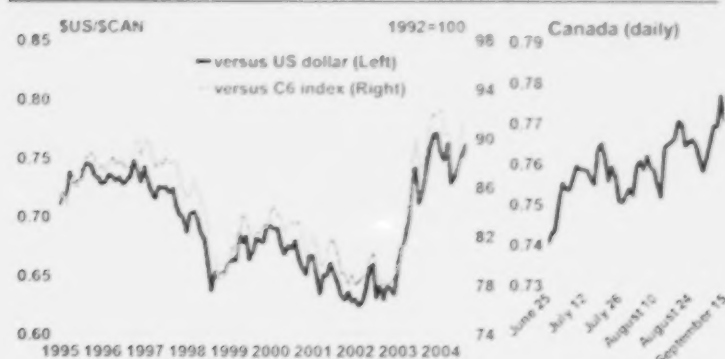
The Canadian dollar has performed well against major currencies

- The Canadian dollar closed at US¢77.1 on September 15, 7.5% higher than its recent low on May 17 (US¢71.7) and 1.7% higher since August 30. A widening Canada-U.S. interest rate differential as well as continued strength in commodity prices have underpinned the Canadian dollar in the past while. At the same time, renewed concern about the large U.S. budget and trade deficits have likely weighed against the U.S. dollar.
- The strength in the Canadian dollar has been reflected against the euro and Japanese yen as well. From early June to mid-September, the dollar appreciated about 6.0% against both the euro and the yen.

North American stock markets gained some strength since mid-August

- The S&P/TSX rose 1.5% from early September to close at 8,467 on September 15. The sharp increase was due mostly to energy stocks, whose demand increased as oil prices rose. In August, however, the energy sub-index fell 3.5%, along with sub-indices for telecommunications and finance.
- In August, the Dow Jones regained some of its strength after falling in July. The index closed on September 15 at 10,231, 4.2% above its recent low on August 9, but remained below levels at the end of June (10,480).

Canadian Dollar

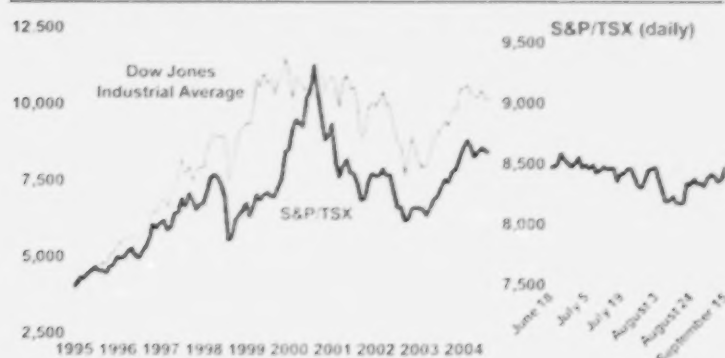


The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
March	0.7626	90.55	1.615	79.53
April	0.7288	89.74	1.644	80.54
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July	0.7522	91.00	1.599	83.64
August	0.7616	91.80	1.599	83.19
Sep. 15	0.7709	*92.79	1.578	84.96

* Bank of Canada's Weekly Financial Statistics

Stock Market Indices



Key Stock Market Indexes

	August Close	% change from	
		last month	last year
S&P/TSX	8,377	-1.0	11.5
Energy	173	-3.5	24.5
Metals & Mining	223	2.0	45.1
Utilities	145	3.6	-0.2
Materials	151	4.5	15.1
Industrial	69	-3.5	-3.2
Financial	142	-0.5	16.8
Gold	203	7.5	0.2
Telecommunication	61	-1.4	1.4
Information Technology	29	-6.0	25.4
Consumer Discretionary	85	-2.4	5.3
Consumer Staples	171	-2.1	4.6
S&P 500	1,104.2	0.2	9.5
Dow Jones	10,174	0.3	8.1

THE UNITED STATES ECONOMY



U.S. Economic Trends

U.S. economic growth slowed in the second quarter...

- Real GDP growth grew 2.8% (annual rate) in the second quarter of 2004, down from an increase of 4.5% in the first quarter. Weaker consumer spending growth and a significant negative contribution from net exports were largely responsible for the slowdown. However, business investment continued to grow at a healthy pace in the second quarter, especially in equipment and software. The rate is 0.2 percentage point less than the advance estimate released in July, reflecting a downward revision to net exports.

...and recent data point to sustained growth in the third quarter

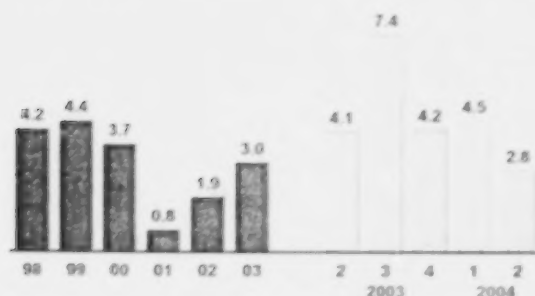
- Recent indicators, including consumer spending, retail sales (excluding auto sales), industrial production and employment suggest that the soft patch in the U.S. economy was temporary and that healthy growth has resumed in the third quarter. Despite little growth in August and assuming no growth in September, the industrial production would increase by about 3.0% (annualized) in the third quarter. Non-farm employment rose by 144,000 in August, the largest increase since May. Job growth averaged only 104,000 in the last three months, but has risen by almost 1.7 million since August 2003.

The current account deficit widens sharply

- The U.S. current account deficit widened to \$664.8 billion (annualized) or 5.7% of GDP in the second quarter from \$558.8 billion in the first. The current account deficit has steadily risen from 1.6% of GDP in 1997 to 4.8% in 2003, resulting in the U.S. external debt to GDP rising to over 30%. This, together with the large fiscal deficit, is seen to threaten the U.S. and the global economy. According to the Congressional Budget Office, the fiscal deficit is expected to be \$422 billion in 2004 and \$384 billion in 2005.

U.S. Real GDP Growth

% change, SAAR



U.S. Non-Farm Payrolls

Monthly change in thousands



U.S. Consumer Price Inflation

% change, year-over-year



U.S. Unemployment & Participation Rates



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - August	September 17
Real GDP by Industry - July	September 30
Labour Force Survey - September	October 8
Canadian International Merchandise Trade - August	October 14
Monthly Survey of Manufacturing - August	October 15
Key Policy Interest Rate Announcement	October 19
Financial Statistics for Enterprises - 3rd Quarter 2004	November 24
Balance of International Payments - 3rd Quarter 2004	November 29
National Economic and Financial Accounts - 3rd Quarter 2004	November 30

UNITED STATES

Consumer Price Index - August	September 16
Federal Open Market Committee Meeting	September 21
GDP - 2nd Quarter 2004 (final)	September 29
The Employment Situation - September	October 8
International Trade in Goods and Services - August	October 14

Note: The September 2004 MEI uses data available as of September 15, 2004





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Monthly Economic Indicators

October 2004

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/cpic/internet/ineas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

October 2004

HIGHLIGHTS

- 
Real GDP growth moderated to 0.1% in July from 0.4% in June, largely reflecting a slowdown in the services sector. Nonetheless, this was the fifth consecutive monthly increase.
- 
Employment growth resumed in September as 72,000 net full-time positions were created while 29,000 net part-time jobs were lost. The unemployment rate fell by 0.1 percentage point to 7.1%.
- 
Recent indicators, including hours worked and retail sales suggest the Canadian economy grew in the third quarter, albeit at a slower pace than in the second (4.3%).
- 
In the United States (U.S.), recent indicators point to continued growth in the third quarter, stemming from a revival of consumption growth.
- 
In light of strong economic conditions and prospects for continued growth, the Bank of Canada raised its overnight rate by a further 25 basis points to 2.5% on October 19.
- 
The Canadian dollar has risen to levels not since the early 1990s, reflecting rising energy prices and Canada's good economic fundamentals.

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,046.5	0.1	3.1	July
Goods	328.3	0.2	3.8	July
Services	719.4	0.1	2.7	July
Composite Index	199.2	0.5	9.0	Aug.
Employment (000's)	16,076	0.3	2.0	Sep.
Full-time	13,147	0.5	2.8	Sep.
Part-time	2,930	-1.0	-1.5	Sep.
Unemployment* (%)	7.1	7.2	7.9	Sep.
Youth*	13.5	13.7	14.5	Sep.
Adult*	5.8	6.0	6.7	Sep.
CPI inflation*	1.9	2.3	2.0	Aug.
Retail Sales (\$M)	29,085	0.8	3.4	Aug.
Housing Starts (000's)**	231.0	-4.2	0.1	Sep.
Trade Balance* (\$M)	7,422	6,153	4,890	Aug.
Exports	37,708	-0.4	18.4	Aug.
Imports	30,286	-4.4	12.4	Aug.
M&E	8,514	-4.8	5.7	Aug.

		September		
		October 20 ***	2004	2003
3-mth Corp. paper (%)*	2.60		2.50	2.64
Long bond yield (%)*	4.46		4.58	4.64
Canadian dollar (US¢)*	80.29		79.26	74.03

*Data in levels only - % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-aes.nsf/en/h_ra01898e.html



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MONTHLY ECONOMIC INDICATORS

October 2004

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This issue uses data available as of October 22, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Sue Moore, François Poitras and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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THE ECONOMY

Real GDP by Industry



July marked the fifth consecutive increase in economic activity...

- Real GDP at basic prices rose 0.1% in July, the fifth consecutive monthly increase, following a 0.4% increase in June. July output was 1.9% (annual rate) above the second quarter level, pointing to a solid starting position for the third quarter. Other indicators including retail sales, manufacturing shipments and hours worked also point to continued, albeit slower, growth in the third quarter.

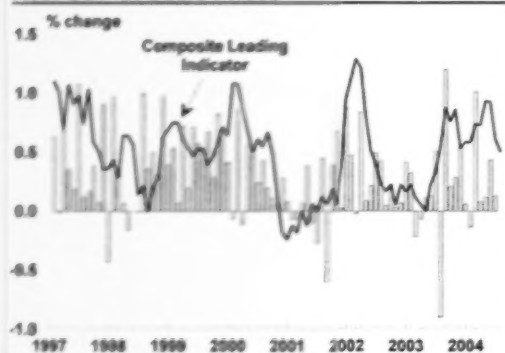
...as output in the goods sector rose...

- Goods production rose 0.2% in July after increasing 0.3% in June. Manufacturing output rose 0.3%, following 1.6% growth in June, and was 5.9% higher than one year ago. Growth in manufacturing was concentrated in motor vehicles (3.9%), information and communication technologies (ICT) products (2.6%), and wood products (2.8%). Meanwhile, construction output declined 0.3% in July, the fourth consecutive monthly decline. However, construction output in July was still 2.3% higher than a year earlier.

...and the service sector edged up

- Service output rose 0.1% in July compared to 0.5% in June. Higher sales of grain and building materials spurred wholesale trade (0.6%) while spending on big ticket items (e.g. cars, furniture and electronics) contributed to a 0.5% increase in retail sales. Losses were concentrated in education (1.1%) and transportation & warehousing (0.7%).

Real GDP at Basic Prices



Real GDP by Major Sector



Real GDP at Basic Prices (1997 chained dollars)

July 2004

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	1,046,548	1,369	0.1	3.1
Business Sector	889,176	1,703	0.2	3.5
Goods-producing	328,340	773	0.2	3.8
Agri., Forest, Fish, Hunt*	23,538	81	0.3	3.4
Mining & Oil & Gas Extraction	37,997	88	0.2	1.3
Utilities	25,504	195	0.8	-0.8
Construction	57,527	-165	-0.3	2.3
Manufacturing	183,249	562	0.3	5.9
Services-producing	719,368	571	0.1	2.7
Wholesale Trade	66,417	391	0.6	7.0
Retail Trade	59,179	310	0.5	2.4
Transportation & Warehousing	50,260	-344	-0.7	5.6
Information & Cultural	43,109	138	0.3	1.4
FIRE**	210,402	364	0.2	3.2
Professional***	46,414	73	0.2	1.9
Admin. & Waste Mgmt	22,151	28	0.1	2.1
Education	45,250	-502	-1.1	0.8
Health & Social	62,840	123	0.2	1.3
Arts, Entertain. & Recreation	9,444	-25	-0.3	-3.1
Accommodation & Food	23,207	-74	-0.3	2.8
Other	24,522	-12	-0.0	1.4
Public Administration	57,680	166	0.3	1.4

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY

Consumer Spending and Attitudes



Consumption growth is poised to recover in the third quarter...

- After slowing in the second quarter, consumption is on track for higher growth in the third quarter despite sluggish automobile sales. New motor vehicle sales declined 1.2% in August, partly offsetting a 2.3% rise in July. Assuming no growth in September, new motor vehicle sales would slip 0.8% in the third quarter, following a 4.6% increase in the second.
- Nevertheless, retail sales rose 0.8% in August to a record high of \$29.1 billion, following 0.5% growth in July, and were 1.6% above the second quarter level. Retail sales were strongest in Ontario, New Brunswick, and Prince Edward Island. Ex-auto retail sales advanced 0.9% in August with growth across most sectors.

...amid rising income and confidence

- Real personal disposable income increased 5.0% in the second quarter, following a 3.9% increase in the first. In addition, employment growth resumed in September, boding well for improving confidence and income.
- The consumer confidence index climbed to 122.9 in September, up 1.6 points from August. Canadians were more upbeat about their family budgets and job prospects six months from now. Consumer confidence has trended up in recent months, rising 5.8 points since June.

Total Retail and Motor Vehicle Sales



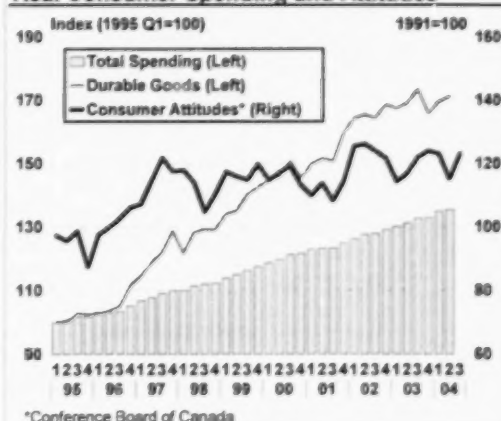
Retail Sales and Consumer Credit

August 2004		% Change since	
	\$ millions	last month	last year
Total Retail Sales (S.A.)	29,085	0.8	3.4
Food	5,679	0.8	4.7
Drug Stores	1,917	1.8	7.7
Clothing	1,666	-1.5	3.7
Furniture	1,867	0.8	3.2
Automotive	9,776	0.9	1.6
General Merch. Stores	3,527	-0.0	4.0
All other Stores	4,653	1.6	3.5
Total ex. motor vehicles	22,075	0.9	4.8
Consumer Credit	262	1.1	10.6

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)				
	2002	2003	2004 Q1	2004 Q2
Real Consumption (97\$)	601,594	620,444	635,614	637,677
% change	3.4	3.1	6.4	1.3
Durable Goods	93,099	94,923	95,286	96,145
% change	8.3	2.0	9.2	3.7
Semi-Durable Goods	54,472	56,142	58,391	58,720
% change	3.8	3.1	15.7	2.3
Non-Durable Goods	137,196	140,078	142,661	142,269
% change	2.3	2.1	5.3	-1.1
Services	317,627	330,098	339,967	341,399
% change	2.6	3.9	4.9	1.7
Disposable Income	692,691	713,548	731,080	745,344
% change	3.8	3.0	6.6	8.0
Saving Rate (%)	3.2	1.4	0.8	1.5
Debt-to-Income Ratio (%)	98.1	101.6	103.3	103.0

Real Consumer Spending and Attitudes



THE ECONOMY

Business Investment



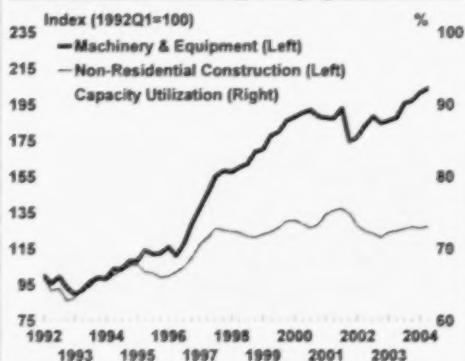
Indicators point to little growth in business investment in the third quarter...

- Following a 4.0% rebound in July, imports of machinery & equipment (M&E) fell 4.8% in August. Assuming no growth in September, M&E imports will decline 8.5% in the third quarter following a rise of 8.6% in the second.
- Real business investment in non-residential structures was down 2.7% in the third quarter. However, while business investment in commercial buildings was down 6.6%, investment in industrial buildings rose 10.6%.

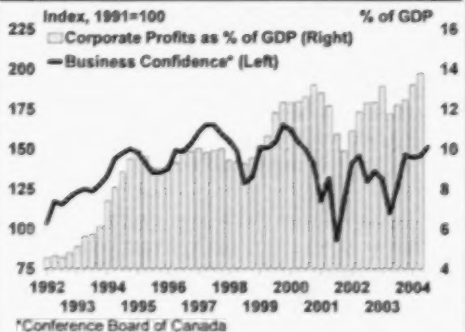
...but rising business confidence and high profits bode well for investment prospects

- The business confidence index rose to 151.4 in the third quarter, up from 145.6 in the second. This mostly reflected an increase in the number of respondents who felt this was a good time to undertake expenditures.
- Corporation profits before taxes rose 28.6% in the second quarter to a new record of \$177 billion. They now stand at 13.8% of GDP, higher than the 10-year average of 10.9%.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	88,229	88,920	90,973	91,985
% change	-1.2	4.5	17.8	3.2	9.6	4.5
Non-residential Construction (1997\$)	44,493	44,928	45,109	45,501	45,238	45,613
% change	-8.3	1.0	4.0	3.5	-2.3	3.4
Capacity Utilization (% , Non-farm goods)	82.3	82.1	81.3	83.0	83.4	84.6
Capacity Utilization (Mfg. sector)	83.3	83.0	81.6	84.2	85.0	86.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	171,528	178,676	194,936	202,952
% change	4.8	14.8	22.8	17.7	41.7	17.5
Profits - Non-financial industries	115,798	128,203	125,872	131,604	143,232	153,088
% change	8.8	10.7	19.0	19.5	40.3	30.5
Profits - Financial industries	34,169	43,915	45,656	47,072	51,704	49,860
% change	-6.8	28.5	34.2	13.0	45.6	-13.5
Business Credit	890,831	905,968	906,632	912,456	922,996	937,430
% change	3.9	1.7	1.5	2.6	4.7	6.4

THE ECONOMY

Housing

Housing activity is stabilizing...

- Residential construction fell again in July (0.2%), the fourth consecutive month of decline.
- The value of residential building permits issued fell 1.2% in August, the third decline in the last four months. Contractors took out \$2.15 billion in permits for single-family dwellings, up 0.6% from the previous record of \$2.14 billion in July. However, the value for multi-family dwellings fell 5.2% in August.
- Housing starts fell 4.2% in September, resulting in starts falling 1.2% in the third quarter from the second. The declines were concentrated in Ontario and Manitoba. In British Columbia, housing starts also fell (13.6%) from a recent high in August, but remained at high levels.

...and is expected to cool off

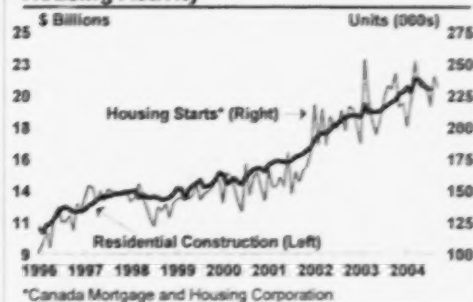
- Decelerating house prices in recent months also point to a stabilizing housing market in which the average house price has risen a more than 40% over the past four years.
- Low mortgage rates, strong employment growth, and pent-up demand led to double-digit growth in housing starts and record highs of new home sales. Most analysts now expect housing markets to move to a more balanced position from a seller's market, amid rising interest rates and saturated pent-up demand.

Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2004 Q1	2004 Q2
Residential Construction	58,133	62,452	66,634	67,632
% change	14.4	7.4	12.0	6.1
New Housing	28,900	30,678	33,072	33,449
% change	23.2	6.2	12.9	4.6
Alterations & Improvements	20,600	22,619	24,000	24,040
% change	4.7	9.8	13.1	0.7
Ownership & Transfer Costs	8,639	9,204	9,628	10,128
% change	11.5	6.5	7.1	22.4

Housing Activity



Monthly Housing Indicators

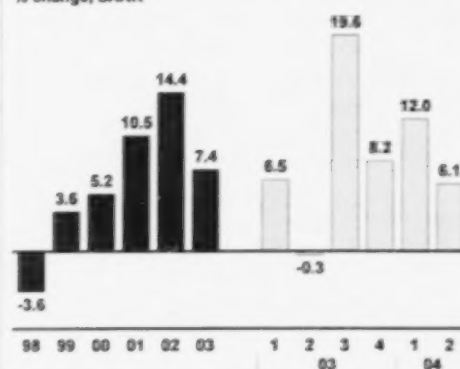
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,777	-0.2%	6.8%
Building Permits, \$M (2)*	3,074	-1.2%	17.5%
Sales of Existing Homes (3)** (# of units)	26,312	-58	-757
Housing Starts, (3)** (# of units, SAAR)	231,000	-10,100	200
Newfoundland & Labrador	2,600	100	100
Prince Edward Island	700	-100	0
Nova Scotia	5,200	300	500
New Brunswick	4,200	500	-300
Quebec	52,500	-700	-3,400
Ontario	86,800	-5,700	1,100
Manitoba	4,300	-3,200	-100
Saskatchewan	4,000	0	800
Alberta	37,000	4,000	-900
British Columbia	33,700	-5,300	2,400

1 - July data; 2 - August data; 3 - September data

Sources: *Statistics Canada; **Canadian Real Estate Association; ***Canada Mortgage and Housing Corporation

Growth in Real Residential Construction

% change, SAAR



THE ECONOMY

Trade and Competitiveness



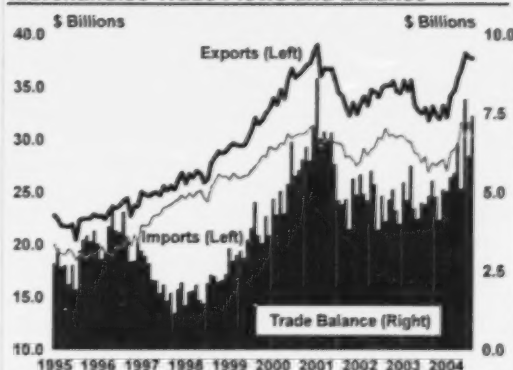
Imports fell more than exports in August...

- Merchandise exports fell 0.4% in August after declining 0.9% the previous month. Export volumes declined even more (0.5%) as export prices rose (0.1%). Exports to the U.S. and Japan posted a decline while exports to other major trading areas increased. Losses were fairly widespread, led by energy products and machinery and equipment. Average real exports in July and August were 0.8% higher than the second quarter when they rose 5.0%. This suggests exports are likely to make less contribution to GDP growth in the third quarter than in the second quarter.
- Imports decreased 4.4% in August after increasing 4.7% in July. Imports from almost all principal trading partners declined. Moreover, imports of all major commodity groupings decreased led by energy products and forestry products. Import prices decreased 0.4% and import volumes declined 4.0%.

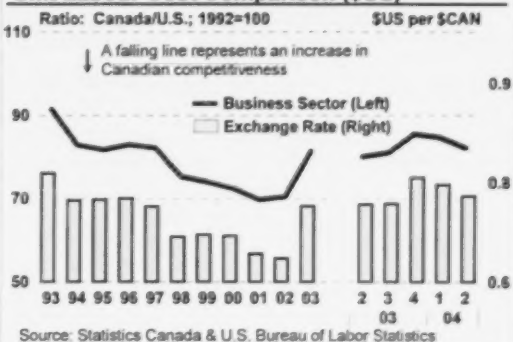
...pushing the trade surplus higher

- As a result of imports declining more than exports, Canada's trade surplus rose \$1.2 billion to \$7.4 billion. The trade surplus with the U.S. rose to \$10.1 billion and the trade deficit with other countries declined slightly. Over the January to August period, the trade surplus reached \$49.3 billion compared to \$38.7 billion the previous year.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

Merchandise Trade

August 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	July 2004	August 2004	Jan.-Aug. 2003	Jan.-Aug. 2004	July to Aug. '04	July to Aug. 2004	Jan.-Aug. 2003 to Jan.-Aug. 2004	
Exports	37,847	37,708	269,291	287,427	-139	-0.4	6.7	
to United States	31,057	30,692	223,449	234,850	-365	-1.2	5.1	
Imports	31,694	30,286	230,559	238,130	-1,408	-4.4	3.3	
from United States	22,019	20,581	161,729	164,769	-1,438	-6.5	1.9	
Trade Balance	6,153	7,422	38,732	49,297	1,269			
with United States	9,038	10,111	61,720	70,081	1,073			
Exports by Commodity								
Agriculture/Fishing Products	2,783	2,800	19,299	21,268	37	1.3	10.2	
Energy Products	6,486	6,318	42,389	45,407	-168	-2.5	7.1	
Forestry Products	3,477	3,469	22,593	26,557	-8	-0.2	17.5	
Industrial Goods & Materials	6,589	6,649	43,765	51,139	60	0.9	16.8	
Machinery & Equipment	8,107	7,947	60,231	61,995	-160	-2.0	2.9	
Automotive Products	7,599	7,715	58,336	60,714	116	1.5	4.1	
Other Consumer Goods	1,467	1,439	11,491	11,704	-28	-1.9	1.9	
Imports by Commodity								
Agriculture/Fishing Products	1,801	1,677	14,519	14,088	-124	-6.9	-3.0	
Energy Products	2,269	2,055	13,315	15,384	-214	-9.4	15.5	
Forestry Products	278	258	2,034	2,078	-20	-7.2	2.2	
Industrial Goods & Materials	6,330	6,056	43,916	47,333	-274	-4.3	7.8	
Machinery & Equipment	8,940	8,514	66,219	68,531	-426	-4.8	3.5	
Automotive Products	7,076	6,690	51,711	51,537	-386	-5.5	-0.3	
Other Consumer Goods	4,030	3,857	31,010	31,178	-173	-4.3	0.5	

LABOUR MARKET TRENDS



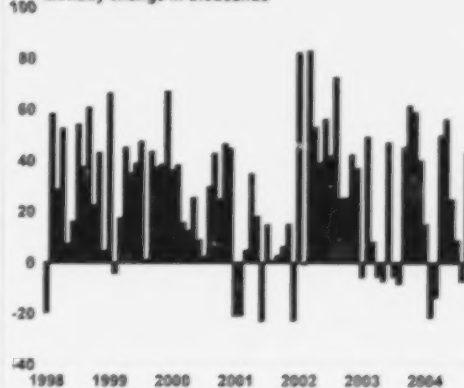
Employment and Unemployment

Employment surged in September...

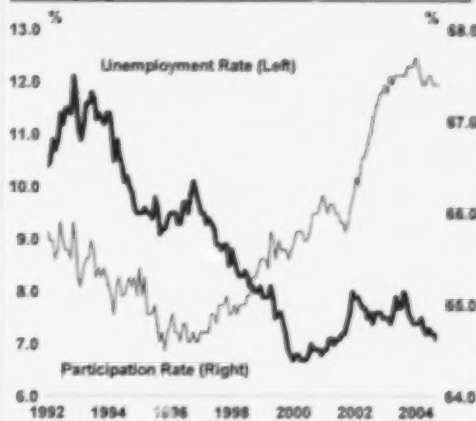
- Employment surged by 43,000 in September, following a decline of 7,000 in August. This reflects an increase of 72,000 in full-time employment and a decrease of 29,000 part-time jobs. Since the beginning of the year, full-time employment has risen 229,000 (1.8%), offsetting a decline of 74,000 (2.4%) in part-time.
- The number of hours worked edged down 0.4% in September, but rose 2.0% in the third quarter.
- Youth employment rose 26,000, partially offsetting losses recorded in July and August, with gains all in full-time (40,000). So far this year, youth employment has risen by only 16,000 (0.7%).
- Employees in the public sector accounted for the bulk of job creation (36,000) in September (mainly at the provincial levels in Ontario and Quebec).
- The employment rate edged up 0.1 percentage point to 62.6% and remained near its historical peak.

Employment

Monthly change in thousands



Unemployment Rate



...pushing down the unemployment rate to 7.1%

- The unemployment rate edged down 0.1 percentage point to 7.1% in September, its lowest level in more than three years.
- The unemployment rate decreased by 0.2 percentage point for adults and for youths.

Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 September	2004 August	2004 September	last month	last year	year-to- date	last month	last year
Employment	15,760.6	16,033.2	16,076.4	43.2	315.8	155.7	0.3	2.0
Full-time	12,787.2	13,074.7	13,146.5	71.8	359.3	229.3	0.5	2.8
Part-time	2,973.4	2,958.5	2,929.9	-28.6	-43.5	-73.5	-1.0	-1.5
Youth 15-24	2,398.0	2,409.0	2,434.8	25.8	36.8	16.0	1.1	1.5
Adult 25+	13,362.5	13,624.2	13,641.5	17.3	279.0	139.7	0.1	2.1
Self-employed	2,428.7	2,476.8	2,472.4	-4.4	43.7	35.0	-0.2	1.8
Unemployment	1,359.9	1,246.0	1,221.4	-24.6	-138.5	-45.4	-2.0	-10.2
Unemployment Rate	7.9	7.2	7.1	-0.1	-0.8	-0.3		
Youth 15-24	14.5	13.7	13.5	-0.2	-1.0	-0.5		
Adult 25+	6.7	6.0	5.8	-0.2	-0.9	-0.3		
Labour Force	17,120.5	17,279.2	17,297.8	18.6	177.3	110.4	0.1	1.0
Participation Rate	67.6	67.4	67.4	0.0	-0.2	-0.3		
Employment Rate	62.2	62.5	62.6	0.1	0.4	-0.1		

LABOUR MARKET TRENDS

Industry Overview



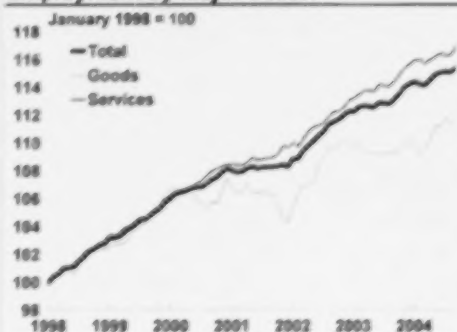
Employment in the Goods sector decreased...

- Employment in the Goods sector fell 21,000 in September, following a decline of 7,000 in August. So far this year, the Goods sector has gained only 24,000 jobs (0.6%), mostly in the construction sector (42,000).
- Manufacturing employment fell again in September and has decreased 28,000 in the last two months, wiping out job gains earlier in the year. Employment in this sector has changed little since last fall.
- Construction employment, which has benefited from a red-hot housing market over the past two years, fell 10,000 in September, the first monthly decline since February.

...while employment in the Services sector recorded strong growth

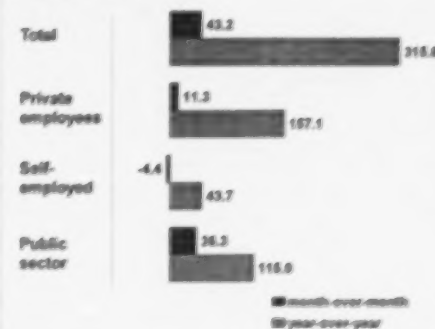
- Employment in the Services sector surged (64,000), following little change in August. The highest gain was recorded in educational services (34,000), offsetting declines recorded in July and August. The largest losses were in professional, scientific and technical services (14,000), but employment in this sector has trended up since the start of the year (37,000 or 3.7%).
- Employment in the service sector is up 132,000 so far this year, with major gains in FIRE* (51,000) and professional, scientific and technical services (37,000), health care and social assistance (23,000) and trade (23,000).

Employment by Major Sector



Employment Growth by Worker Category

September 2004 (thousands)



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 September	2004 August	2004 September	last month	last year	year-to- date	last month	last year
Goods-producing	3,978.1	4,060.4	4,039.2	-21.2	61.1	23.9	-0.5	1.5
Agriculture	334.4	325.0	325.7	0.7	-8.7	-20.8	0.2	-2.6
Natural Resources*	292.9	299.5	299.9	0.4	7.0	3.9	0.1	2.4
Utilities	131.8	138.8	134.3	-4.5	2.5	3.8	-3.2	1.9
Construction	952.4	1,008.8	998.7	-10.1	48.3	41.6	-1.0	4.9
Manufacturing	2,268.7	2,288.4	2,280.5	-7.9	13.8	-4.5	-0.3	0.6
Services-producing	11,782.5	11,972.8	12,037.2	64.4	254.7	131.8	0.5	2.2
Trade	2,465.1	2,485.8	2,499.9	14.1	34.8	22.5	0.6	1.4
Transportation*	766.1	806.2	798.0	-8.2	31.9	15.8	-1.0	4.2
FIRE*	942.1	969.2	1,007.2	8.0	65.1	50.5	0.8	6.9
Professional/Scientific	955.6	1,034.9	1,021.2	-13.7	25.8	38.7	-1.3	2.6
Business/Building	604.5	637.3	644.5	7.2	40.0	6.9	1.1	6.6
Educational Services	1,041.5	1,012.2	1,046.3	34.1	4.8	-14.8	3.4	0.5
Health Care/Social Assistance	1,694.1	1,746.5	1,754.7	8.2	60.6	22.5	0.5	3.6
Information/Culture/Recreation	717.3	733.4	720.4	-13.0	3.1	3.4	-1.8	0.4
Accommodation & Food	1,020.0	1,001.0	1,011.0	10.0	-9.0	-18.5	1.0	-0.9
Other Services	702.3	701.5	703.0	1.5	0.7	3.4	0.2	0.1
Public Administration	834.0	815.0	831.1	16.1	-2.9	3.5	2.0	-0.3

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.

LABOUR MARKET TRENDS



Provincial Overview

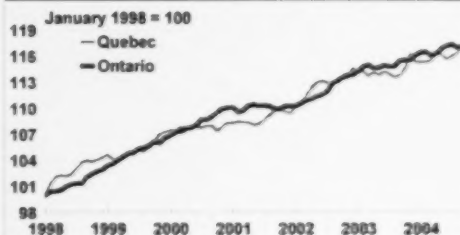
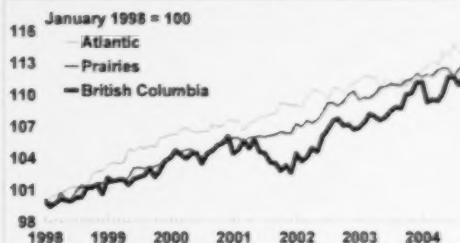
Job gains were concentrated in British Columbia and Quebec...

- Among western provinces, British Columbia recorded the highest employment increase (13,000 or 0.6%) offsetting most of the losses in August, with employment up 55,000 (2.7%) over the past year. Alberta employment rose 7,000 (0.4%) and Manitoba gained 4,000 jobs (0.6%), all part-time.
- Quebec posted the highest job gain (16,000 or 0.4%) in September, mostly in the manufacturing sector (22,000), following a similar increase in August. Ontario employment edged up 5,000 and so far this year has risen 55,000 (0.9%).
- Newfoundland & Labrador lost 2,000 jobs (0.8%) in September while other Atlantic provinces posted small changes. Employment has not changed much since last May in these provinces. Over the past year, only New Brunswick (3.8%) and Nova Scotia (2.5%) have posted solid employment growth.

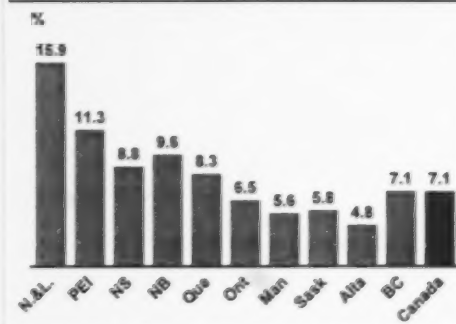
...while the unemployment rate decreased in most provinces

- Job gains, combined with a decrease in the labour force, pushed down the unemployment rates to 6.5% in Ontario and 7.1% in British Columbia in September.
- The unemployment rates rose to 8.3% in Quebec and 5.8% in Saskatchewan, as the labour force rose at a faster pace than employment.
- The unemployment rate declined 0.3 percentage point to 15.9% in Newfoundland & Labrador as less people sought jobs. The unemployment rates remained unchanged in other provinces.

Regional employment patterns



Unemployment Rates – September 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment Rate (%)		
	Levels	Change since		Change since		Levels	Change since	
	2004 September	last month (000's)	%	last year (000's)	%	2004 September	last month	last year
Canada	16,076.4	43.2	0.3	315.8	2.0	7.1	-0.1	-0.8
Newfoundland & Labrador	219.5	-1.7	-0.8	-0.2	-0.1	15.9	-0.3	-0.7
Prince Edward Island	69.3	-0.1	-0.1	0.3	0.4	11.3	0.0	0.9
Nova Scotia	446.9	0.2	0.0	10.8	2.5	8.8	0.0	-0.9
New Brunswick	396.7	1.0	0.3	13.2	3.8	9.6	-0.9	-1.0
Quebec	3,732.5	15.5	0.4	98.9	2.7	8.3	0.3	-1.2
Ontario	6,341.1	4.7	0.1	89.3	1.4	6.5	-0.3	-0.7
Manitoba	577.8	3.5	0.6	14.1	2.5	5.6	-0.1	-0.2
Saskatchewan	488.3	6.7	0.1	5.5	1.1	5.8	0.4	0.1
Alberta	1,784.4	6.5	0.4	29.2	1.7	4.8	0.1	-0.2
British Columbia	2,079.9	12.9	0.6	54.7	2.7	7.1	-0.6	-1.8

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



Inflation moderated to 1.9% in August...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) moderated to 1.9% in August from 2.3% in July. Gasoline prices, which increased less in August (7.8%) than in July (17.9%), have been mostly responsible for changes in the inflation rate in recent months. Excluding energy, inflation in August (1.5%) was slightly lower compared to July (1.6%).
- Inflation moderated in most provinces, led by Ontario (2.4% in July to 1.5% in August) and Saskatchewan (2.8% to 2.1%) where the increase in energy prices was less than in other provinces. Inflation increased in Newfoundland & Labrador, Prince Edward Island and Alberta.
- On a month-to-month basis (seasonally adjusted), the CPI fell 0.2% after no change in July.
- The year-over-year increase in commodity prices was 25.0% in September, the same as in August. Energy prices rose 35.3% year-over-year, the biggest rise in 16 months. On a monthly basis, commodity prices fell 1.9% following a 1.0% increase in August. Excluding energy prices, commodity prices fell 2.2% in September following a 0.5% increase in August.

...and the "core" rate fell to 1.5%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, fell to 1.5% in August from 1.7% in July, below the midpoint of the 1%-3% official target range.

Consumer Price Index



Commodity Prices (\$US basis)



Consumer Prices

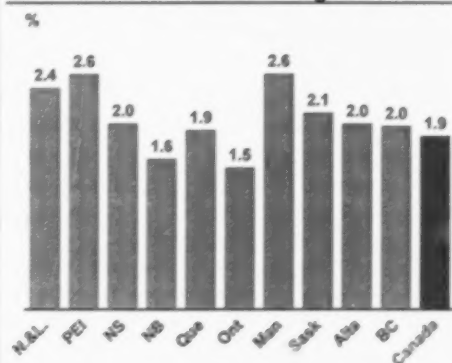
August 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	124.8	-0.2	1.9
Food	125.3	-0.2	2.6
Shelter	120.9	0.2	2.7
Household operations	115.0	0.1	0.3
Clothing & Footwear	101.8	0.9	0.0
Transportation	144.7	-1.0	1.6
Health & Personal Care	118.8	-0.3	1.2
Recreation, Educ. & Reading	128.6	-0.2	0.5
Alcohol & Tobacco	144.7	0.3	5.5
Excl. 8 Most Volatile/Indirect Taxes	124.3	-0.2	1.6
Energy	152.4	0.1	6.2

Commodity Prices (September 2004)

Index, 1982-90=100	148.0	-1.9	25.0
Excluding Energy	127.2	-2.2	17.5
Energy	182.7	-1.5	35.3

Provincial CPI Inflation -- August 2004



PRICES and FINANCIAL MARKETS



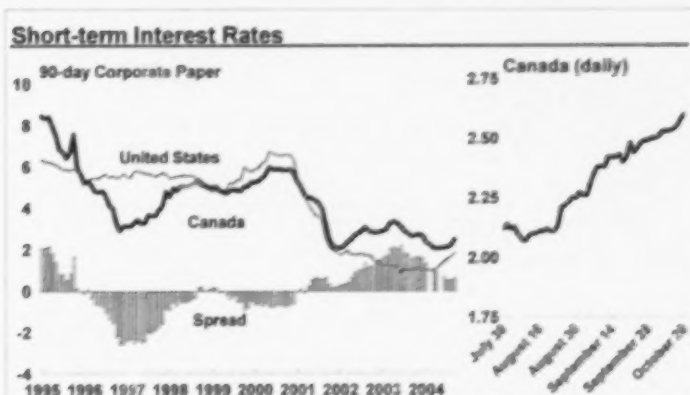
Short-term and Long-term Interest Rates

North American central banks continue raising interest rates...

- The Bank of Canada raised its target for the overnight rate by 25 basis points (bps) to 2.50% on October 19, following a 25 bps increase in September. The Bank stated that upward pressure on total inflation, due to higher oil prices and continued economic expansion, will likely require additional rate increases to keep inflation on target. In the United States, the Federal Reserve has raised its fed funds rate 75 bps to 1.75% since July. The next rate announcement date is on November 10.
- The rate on three-month corporate paper in Canada was 2.58% on October 18, up from 2.10% in mid-August while its U.S. counterpart was 1.91% on October 15. With short-term rates rising in both Canada and the U.S., the rate differential remained about 65 bps since September. At the beginning of the year, the spread against U.S. rates was higher (160 bps), reflecting a larger rise in U.S. short-term rates.

...but long-term yields remain low

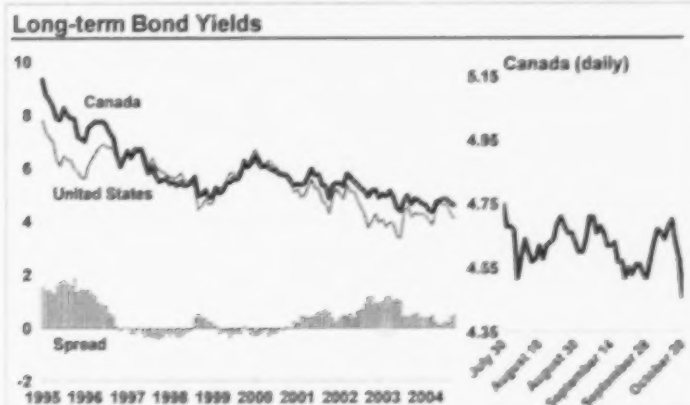
- Modest, lower-than-expected employment growth in the U.S. in the third quarter and moderate inflation despite rising oil prices have kept long-term bond yields on a downward trend since June. U.S. 10-year yields fell to 4.05% on October 18, down from 4.80% in early June, but up 5 bps since the end of September. Yields in Canada have also edged down, but less than in the U.S., reflecting good economic news. On October 18, Canadian yields were 4.53% and the spread with U.S. yields widened to about 50 bps.
- One-year mortgage rates were 4.90% on October 13, up from 4.60% one month ago. Five-year mortgage rates were 6.50% on October 13, up from 6.30% at the end of September.



Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.98	0.93
2003	2.66	1.62	4.66	0.39
April	2.05	0.96	4.71	0.21
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July	2.12	0.55	4.82	0.21
August	2.22	0.55	4.88	0.42
September	2.50	0.65	4.58	0.48
Oct. 20*	2.60	0.64	4.46	0.45

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
April	2.00	3.75	4.45	6.15
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July	2.00	3.75	4.60	6.55
August	2.00	3.75	4.40	6.30
September	2.25	4.00	4.80	6.30
Oct. 20*	2.50	4.25	4.90	6.40

* Bank of Canada's Weekly Financial Statistics

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices



Solid economic fundamentals underpin strength in the Canadian dollar

- Robust growth, high commodity prices, and rising interest rates supported the Canadian dollar which closed at US\$80.3 on October 20. The loonie rose US\$3.1 (4.1%) against the U.S. dollar in September and 12.0% since its recent low in May (US\$71.7). Rising energy prices and positive developments in Canada, including a large upward revision to the federal fiscal surplus for 2003-04 (\$9.1 billion versus \$1.9 billion), were mostly responsible for the loonie's rise. The U.S. dollar also weakened during this time amid mixed economic data and renewed concerns about its current account and fiscal deficits.
- The Canadian dollar continued to perform well against the euro and Japanese yen. From recent lows in June to October 20, the dollar appreciated about 6.1% against the euro and 8.7% against the yen.

Canadian stocks have strengthened since mid-August

- The S&P/TSX closed at 8,788 on October 20, up 7.6% since mid-August. The steady rise in August and September was mostly in metals and mining stocks, which rose 10.9% in the month, as well as energy and gold stocks. Overall, all major sub-indices rose except for industrial and telecommunications.
- In comparison, the Dow Jones fell slightly in September (reflecting in part rising oil prices) after gaining some strength in August. The index closed at 9,887 on October 20, 4.2% below its level on September 14 and 2.2% below its three-month average (10,107).

Canadian Dollar

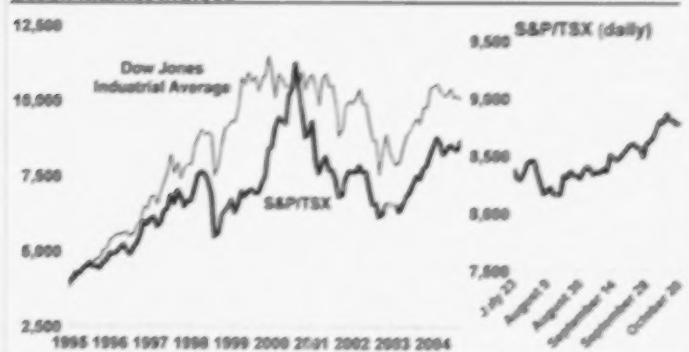


The Canadian Dollar

(close)	\$US vs. \$CAN	Index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
April	0.7288	89.74	1.644	80.54
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July	0.7522	91.00	1.599	83.64
August	0.7616	91.80	1.599	83.19
September	0.7926	93.52	1.599	87.21
Oct. 20	0.8029	96.54*	1.567	86.88

* Bank of Canada's Weekly Financial Statistics

Stock Market Indices



Key Stock Market Indexes

	September Close	% change from last month	% change from last year
S&P/TSX	8,648	3.5	16.8
Energy	187	8.6	38.5
Metals & Mining	247	10.9	53.8
Utilities	145	0.3	2.9
Materials	162	7.0	25.5
Industrial	69	-0.4	-2.4
Financial	144	1.5	19.8
Gold	215	6.0	11.2
Telecommunication	61	-0.6	5.2
Information Technology	30	0.9	21.5
Consumer Discretionary	86	1.3	7.8
Consumer Staples	177	3.6	9.5
S&P 500	1,114.6	0.9	10.7
Dow Jones	10,080	-0.9	8.7

THE UNITED STATES ECONOMY



U.S. Economic Trends

Second quarter real GDP growth was revised upward

- Real GDP growth slowed from 4.5% (annual rate) in the first quarter to an upwardly revised 3.3% in the second. The revision primarily reflected a downward revision to imports and upward revisions to exports and inventory investment. Still, lower consumer spending growth (1.6%) was mostly responsible for the slowdown. However, equipment and software investment and residential investment continued to grow at a good pace.

Household spending growth should provide more support in the third quarter

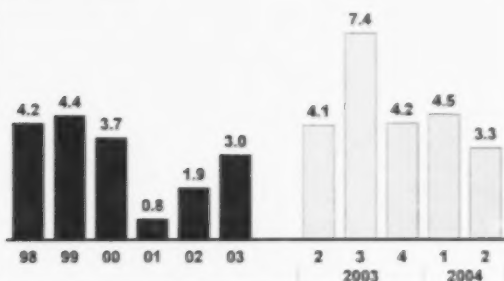
- Consumer spending figures for July and August suggest a rebound in consumer spending growth to 4.0% in the third quarter. Moreover, helped by surging auto sales (4.6%), retail sales increased by 1.5% in September as consumers benefited from retailer discounting. Meanwhile, the housing market remained buoyant in the third quarter and the disappointing industrial production numbers in August and September likely reflected the negative impact of hurricanes. These indicators suggest healthy growth for the third quarter.

There are risks to the economic outlook

- Crude oil prices have increased substantially over the past year reaching US\$54.76 on October 14. Forecasters estimate that it might have already reduced economic growth by 0.6% to 0.8%. Rising oil price normally lead to higher inflation, lower profit by oil-using sectors and have a dampening effect on real disposable income and consumption. The manufacturing sector has been slowing and it is unlikely that the household sector will continue to sustain such high expenditures on houses and cars. An economic slowdown does not bode well for the large U.S. deficit and the possibility of using fiscal policy to stimulate the economy. Moreover, the U.S. current account deficit has been widening and this could result in greater volatility in currency markets. So far, oil price inflation has not resulted in significantly higher core inflation and inflationary expectations, which could explain why long-term rates have not gone up recently. While prospects remain for continued growth, there are clearly downside risks to the outlook.

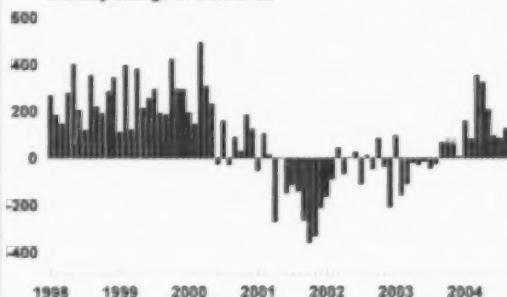
U.S. Real GDP Growth

% change, SAAR



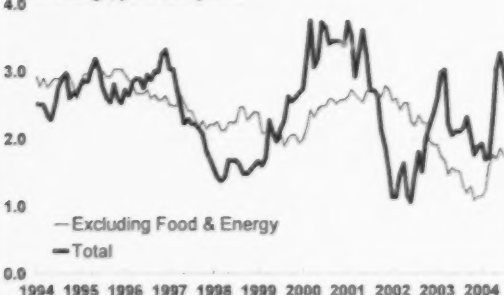
U.S. Non-Farm Payrolls

Monthly change in thousands

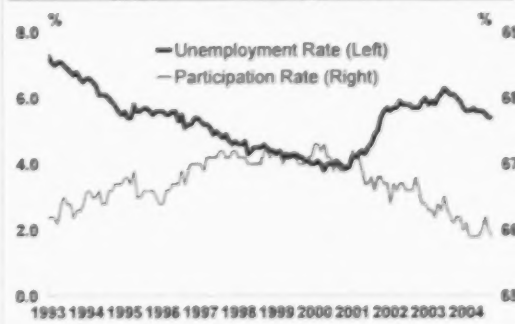


U.S. Consumer Price Inflation

% change, year-over-year



U.S. Unemployment & Participation Rates



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - September	October 26
Real GDP by Industry - August	October 29
Labour Force Survey - October	November 5
Canadian International Merchandise Trade - September	November 10
Monthly Survey of Manufacturing - September	November 15
Financial Statistics for Enterprises - 3rd Quarter 2004	November 24
Balance of International Payments - 3rd Quarter 2004	November 29
National Economic and Financial Accounts - 3rd Quarter 2004	November 30
Key Policy Interest Rate Announcement	December 7

UNITED STATES

GDP - 3rd Quarter 2004 (advance)	October 29
The Employment Situation - October	November 5
International Trade in Goods and Services - September	November 10
Federal Open Market Committee Meeting	November 10
Consumer Price Index - October	November 17

Note: The October 2004 MEI uses data available as of October 22, 2004



Industry
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Canada

Monthly Economic Indicators

November 2004

**Includes a special report on:
Canada's Oil and Gas Sector**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/ineas-acis.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

November 2004

HIGHLIGHTS

- 
Real GDP rose 0.5% in August, fuelled by growth in manufacturing and trade. This was the sixth consecutive monthly increase.
- 
The labour market added 34,000 net positions in October, mostly in services and concentrated in Ontario and British Columbia. The unemployment rate remained at 7.1%.
- 
These developments together with strong retail sales point to growth of 3.0% to 3.5% in the third quarter, led by domestic demand.
- 
The United States (U.S.) economy grew 3.7% in the third quarter, with consumer spending accounting for most of the growth.
- 
The Federal Reserve increased its fed funds rate by 25 basis points to 2.0% on November 10. The Bank of Canada has left the door open for another rate hike on December 7.
- 
In recent weeks the Canadian dollar has traded above US\$83, which is estimated by the OECD to be near its long-term equilibrium value.

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,052.6	0.5	4.6	Aug.
Goods	330.6	0.6	5.3	Aug.
Services	723.1	0.4	4.3	Aug.
Composite Index	199.9	0.3	8.4	Sep.
Employment (000's)	16,111	0.2	1.8	Oct.
Full-time	13,160	0.1	2.5	Oct.
Part-time	2,951	0.7	-0.9	Oct.
Unemployment* (%)	7.1	7.1	7.6	Oct.
Youth*	13.4	13.5	13.9	Oct.
Adult*	5.9	5.8	6.4	Oct.
CPI inflation*	1.8	1.9	2.2	Sep.
Retail Sales (\$M)	29,085	0.8	3.4	Aug.
Housing Starts (000's)**	225.0	-5.4	-7.3	Oct.
Trade Balance* (\$M)	5,055	6,438	5,371	Sep.
Exports	36,088	-3.4	8.8	Sep.
Imports	31,033	0.4	11.6	Sep.
M&E	8,794	-0.5	7.5	Sep.

		October	
		November 17 ***	2004 2003
3-mth Corp. paper (%)*	2.76	2.60	2.71
Long bond yield (%)*	4.45	4.52	4.85
Canadian dollar (US\$)*	83.79	82.10	75.84

*Data in levels only - % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

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MONTHLY ECONOMIC INDICATORS

November 2004

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This issue uses data available as of November 17, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Sue Moore, François Poitras and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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THE ECONOMY

Real GDP by Industry



Economic activity continued to pick up in August...

- Real GDP at basic prices rose 0.5% in August, after increasing 0.2% in July. Information and communication technologies (ICT) industries continued to recover as production rose 14.4% compared to the year before. Average real GDP in July and August was 3.2% (annual rate) higher than in the second quarter, suggesting continued robust growth in the third quarter.

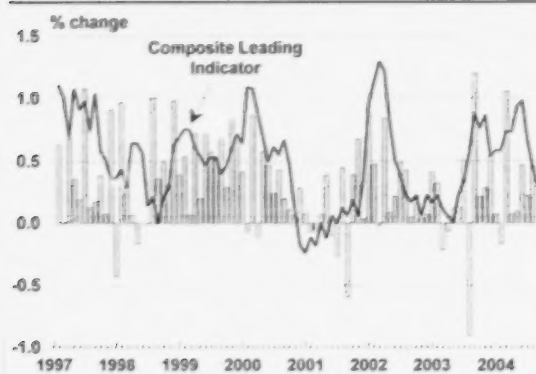
...as output in the goods sector rose...

- Goods production was up 0.6% in August after rising 0.3% in July. Industrial production (manufacturing, mining and utilities) was up 0.9% in August, marking the sixth consecutive month of expansion. The utilities sector led the increase followed by manufacturing and mining. Stronger domestic demand coupled with a build-up of inventories fuelled the increase in the manufacturing sector.

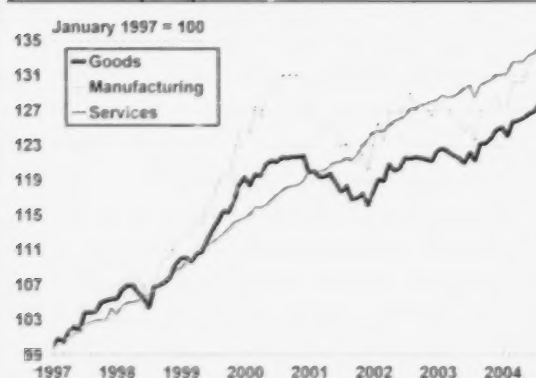
...and the service sector increased

- Service output increased 0.4% after edging up 0.2% in July. Increases were widespread, led by the arts, entertainment and recreation (AER) industry (3.4%) and retail trade (1.1%). Wholesale trade also increased strongly (0.8%) as sales of automotive products, machinery and electronic equipment surged. On a year-over-year basis, services output was up 4.3%, led by wholesale trade (15.1%), AER (6.8%), transportation and warehousing (6.7%), and public administration (4.0%).

Real GDP at Basic Prices



Real GDP by Major Sector



Real GDP at Basic Prices (1997 chained dollars)

August 2004	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,052,576	4,769	0.5	4.6
Business Sector	894,228	4,337	0.5	4.9
Goods-producing	330,596	1,998	0.6	5.3
Agri., Forest, Fish, Hunt*	23,665	-73	-0.3	2.9
Mining & Oil & Gas Extraction	37,968	140	0.4	1.9
Utilities	25,918	311	1.2	1.2
Construction	57,177	-217	-0.4	1.3
Manufacturing	185,490	1,869	1.0	8.8
Services-producing	723,131	2,748	0.4	4.3
Wholesale Trade	67,245	528	0.8	15.1
Retail Trade	59,879	678	1.1	2.7
Transportation & Warehousing	50,371	-29	-0.1	6.7
Information & Cultural	43,185	-7	0.0	1.8
FIRE**	211,099	675	0.3	3.7
Professional***	46,475	83	0.2	2.8
Admin. & Waste Mgmt	22,265	112	0.5	3.6
Education	45,719	143	0.3	2.7
Health & Social	63,101	111	0.2	2.0
Arts, Entertain. & Recreation	9,907	330	3.4	6.8
Accommodation & Food	23,275	27	0.1	2.1
Other	24,493	40	0.2	2.0
Public Administration	57,642	67	0.1	4.0

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

THE ECONOMY

Consumer Spending and Attitudes

Consumer spending grew in the third quarter...

- Real retail sales remained brisk, rising in both July (0.4%) and August (0.8%). Assuming no growth in September, real retail sales will rise 5.5% in the third quarter, following a 2.4% increase in the second.
- New motor vehicle sales have declined 9.5% in the third quarter, following an increase of 19.2% in the second. However, this latest decline was accompanied by an 11.2% rise in the average vehicle price, following a similar decline in the second quarter.

...and rising income and high confidence bode well for sustained growth

- In the third quarter, major collective bargaining settlements provided base rate wage increases of 1.3% on average, the same as in the second quarter. Combined with employment growth in September (0.3%) and October (0.2%), this bodes well for sustained growth in personal income and consumption.
- Moreover, while the consumer confidence index retreated slightly (2.6 points) in October, it remains at a high level compared to its 10-year average (112.8).

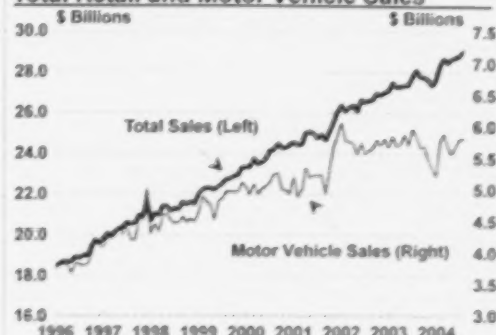
Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2004 Q1	2004 Q2
Real Consumption (97%)	601,594	620,444	635,614	637,677
% change	3.4	3.1	6.4	1.3
Durable Goods	93,099	94,923	95,286	96,145
% change	8.3	2.0	9.2	3.7
Semi-Durable Goods	54,472	56,142	58,391	58,720
% change	3.8	3.1	15.7	2.3
Non-Durable Goods	137,196	140,078	142,661	142,269
% change	2.3	2.1	5.3	-1.1
Services	317,627	330,098	339,967	341,399
% change	2.6	3.9	4.9	1.7
Disposable Income	692,691	713,548	731,080	745,344
% change	3.8	3.0	6.6	8.0
Saving Rate (%)	3.2	1.4	0.8	1.5
Debt-to-Income Ratio (%)	98.1	101.6	103.3	103.0



Total Retail and Motor Vehicle Sales

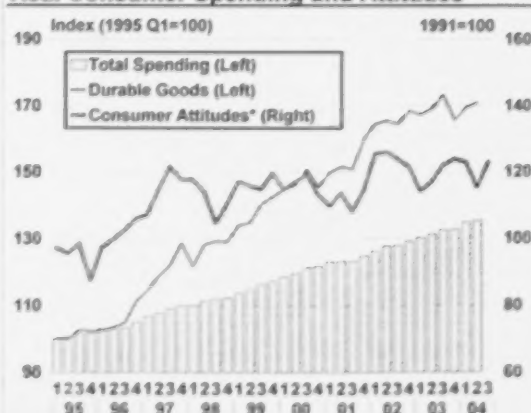


Retail Sales and Consumer Credit

August 2004

		% Change since	
	\$ millions	last month	last year
Total Retail Sales (S.A.)	29,085	0.8	3.4
Food	5,679	0.8	4.7
Drug Stores	1,917	1.8	7.7
Clothing	1,666	-1.5	3.7
Furniture	1,867	0.8	3.2
Automotive	9,776	0.9	1.6
General Merch. Stores	3,527	-0.0	4.0
All other Stores	4,653	1.6	3.5
Total ex. motor vehicles	22,075	0.9	4.8
Consumer Credit	262	1.1	10.6

Real Consumer Spending and Attitudes



*Conference Board of Canada

THE ECONOMY

Business Investment

Investment rose in the second quarter, notably in the energy sector...

- Investment in construction and machinery and equipment in the energy sector rose 13.3%* and 16.2%*, respectively. This was much higher than growth of 3.4% and 4.5% in total investment for these two categories, respectively.

...but prospects are mixed for the third quarter

- Real business investment in non-residential structures declined 2.7% in the third quarter, following a drop of 7.3% in the second.
- Shipments of machinery rose 17.0% in the third quarter while exports of M&E declined 2.6%. This, combined with the fact that imports of M&E increased slightly in the third quarter, suggest M&E investment might rise in the third quarter.
- Sustained profits, high business confidence, and a strong Canadian dollar vis-a-vis the US greenback auger well for investment prospects.

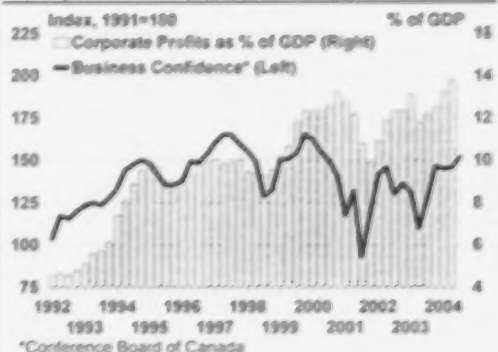
*Data from the Conference Board of Canada.



Investment in Plant and Equipment



Corporate Profits & Business Confidence



*Conference Board of Canada

Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q3	2003 Q4	2004 Q1	2004 Q2
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	88,229	88,920	90,973	91,985
% change	-1.2	4.5	17.8	3.2	9.6	4.5
Non-residential Construction (1997\$)	44,493	44,928	45,109	45,501	45,238	45,613
% change	-8.3	1.0	4.0	3.5	-2.3	3.4
Capacity Utilization (% Non-farm goods)	82.3	82.1	81.3	83.0	83.4	84.5
Capacity Utilization (Mfg. sector)	83.3	83.0	81.6	84.2	85.0	86.6
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	171,528	178,676	194,936	202,952
% change	4.8	14.8	22.8	17.7	41.7	17.5
Profits - Non-financial industries	115,798	128,203	125,872	131,604	143,232	153,088
% change	8.8	10.7	19.0	19.5	40.3	30.5
Profits - Financial industries	34,169	43,915	45,656	47,072	51,704	49,860
% change	-6.8	28.5	34.2	13.0	45.6	-13.5
Business Credit	890,789	905,602	906,185	911,884	922,183	936,077
% change	3.8	1.7	1.5	2.5	4.6	6.2

THE ECONOMY

Housing

Housing activity moderated in the third quarter...

- Residential construction fell again in August (0.3%), the fifth consecutive month of decline. However, it was still up 5.2% compared to the level a year earlier.
- The value of residential building permits issued fell 3.3% in September. This was the first time since late 1997 that permits have fallen three months in a row. However, September's value was 4.3% higher than the average monthly level in 2003.
- Housing starts fell 5.4% in October, after declining 1.2% in the third quarter from the second. The urban declines were concentrated in British Columbia (21.2%) and Atlantic Canada (13.7%). In Ontario, housing starts also fell (3.8%). However, housing starts remain at a high level and are on pace to reach a 17-year high this year, according to the Canada Mortgage and Housing Corporation.

...helping the housing market to become more balanced

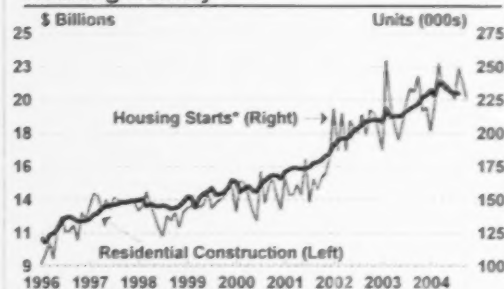
- Another sign that the housing market is cooling off is the recent moderation in housing prices. New housing prices rose by 5.8% in September, down slightly from the 6.0% and over posted in recent months. The average house prices have risen by more than 40% over the past four years amid rising demand associated with low mortgage rates, strong employment growth and pent-up demand.
- However, rising interest rates and exhausted pent-up demand are dampening housing demand and prices. Consequently, most analysts now expect a shift from a seller's to a balanced market.

Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)

	2002	2003	2004 Q1	2004 Q2
Residential Construction	58,133	62,452	66,634	67,632
% change	14.4	7.4	12.0	6.1
New Housing	28,900	30,678	33,072	33,449
% change	23.2	6.2	12.9	4.6
Alterations & Improvements	20,500	22,619	24,000	24,040
% change	4.7	9.8	13.1	0.7
Ownership & Transfer Costs	8,639	9,204	9,628	10,128
% change	11.5	6.5	7.1	22.4

Housing Activity



*Canada Mortgage and Housing Corporation

Monthly Housing Indicators

	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	20,671	-0.3%	5.2%
Building Permits, \$M (2)*	2,955	-4.3%	2.3%
Sales of Existing Homes (3)** (# of units)	25,111	-1,079	-2,236
Housing Starts, (3)*** (# of units, SAAR)	225,000	-12,900	-17,800
Newfoundland & Labrador	2,700	-100	-700
Prince Edward Island	900	200	200
Nova Scotia	4,600	-700	1,100
New Brunswick	3,400	-1,200	-600
Quebec	56,200	-2,900	-100
Ontario	83,300	-2,700	-16,200
Manitoba	4,400	0	-2,000
Saskatchewan	4,200	700	800
Alberta	38,100	700	4,300
British Columbia	27,200	-6,900	-4,600

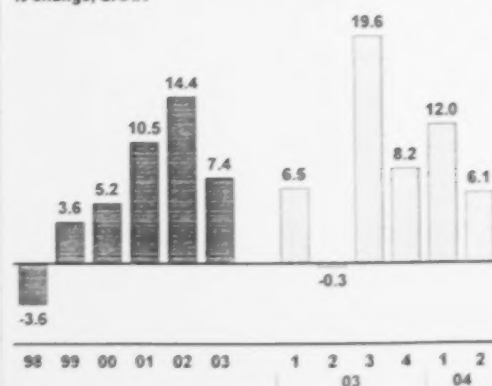
1 - August data; 2 - September data; 3 - October data

Sources: *Statistics Canada; **Canadian Real Estate Association;

***Canada Mortgage and Housing Corporation

Growth in Real Residential Construction

% change, SAAR



THE ECONOMY

Trade and Competitiveness

Imports rose and exports declined in September...

- Merchandise exports declined 3.4% in September after declining 0.4% in the previous month. Exports to the U.S., Japan and the European Union decreased, while exports to other major trading areas increased. On a commodity basis, exports fell in all principal groupings, led by agricultural and fishing products, machinery and equipment and automotive products. In the third quarter, export prices and volumes both rose 0.2%.
- Imports rose 0.4% in September following a decrease of 2.5% in August. Imports from the U.S. and the European Union rose, while those from other major trading areas fell. Agricultural and fishing products, forestry products and industrial goods and materials led the increase. Import prices declined 1.4%, while import volumes rose 3.9% in the third quarter.

...pushing the trade surplus lower

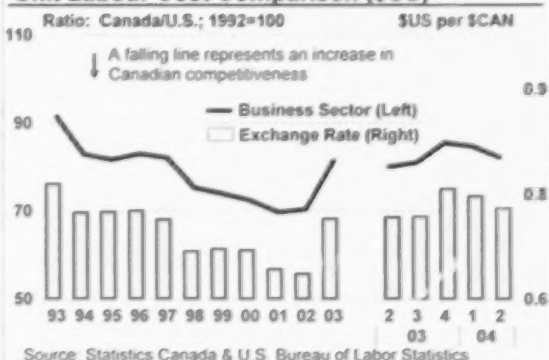
- As a result of exports declining and imports increasing, Canada's trade surplus declined by \$1.4 billion to \$5.1 billion. Furthermore, the trade surplus with the U.S. deteriorated. In the third quarter, the trade surplus fell to \$17.3 billion. Consequently, net exports had a negative impact on economic growth in the third quarter after a substantial contribution in the second quarter.



Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

Merchandise Trade

September 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	August 2004	September 2004	Jan.-Sep. 2003	Jan.-Sep. 2004	Aug. to Sep. 2004	Aug. to Sep. 2004	Jan.-Sep. 2003 to Jan.-Sep. 2004
Exports	37,354	36,088	302,466	322,477	-1,266	-3.4	6.6
to United States	30,236	29,425	250,671	263,134	-811	-2.7	5.0
Imports	30,916	31,633	258,363	269,933	117	0.4	4.5
from United States	21,340	21,529	181,369	187,239	189	0.9	3.2
Trade Balance	6,438	5,055	44,103	52,544	-1,383		
with United States	8,896	7,896	69,302	75,895	-1,000		
Exports by Commodity							
Agriculture/Fishing Products	2,776	2,468	21,821	23,711	-308	-11.1	8.7
Energy Products	6,011	5,906	47,061	50,473	-105	-1.7	7.3
Forestry Products	3,468	3,387	25,649	29,930	-81	-2.3	16.7
Industrial Goods & Materials	6,670	6,555	49,304	57,893	-115	-1.7	17.4
Machinery & Equipment	7,964	7,552	67,633	69,434	-412	-5.2	2.7
Automotive Products	7,665	7,440	65,731	68,019	-225	-2.9	3.5
Other Consumer Goods	1,433	1,400	12,978	13,073	-33	-2.3	0.7
Imports by Commodity							
Agriculture/Fishing Products	1,741	1,805	16,301	15,960	64	3.7	-2.1
Energy Products	2,041	1,989	14,770	17,321	-52	-2.5	17.3
Forestry Products	269	273	2,288	2,367	4	1.5	3.5
Industrial Goods & Materials	6,278	6,362	49,196	53,964	84	1.3	9.7
Machinery & Equipment	8,836	8,794	74,396	77,773	-42	-0.5	4.5
Automotive Products	6,820	6,755	57,807	58,353	-65	-1.0	0.9
Other Consumer Goods	3,964	3,974	34,815	35,319	10	0.3	1.4



Employment and Unemployment

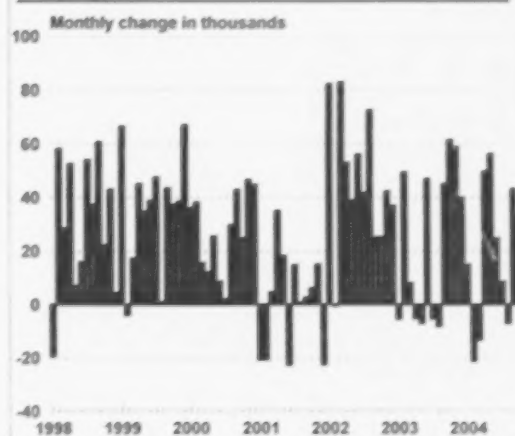
Employment up further in October...

- Employment rose 34,000 in October, the second consecutive monthly increase following a pause in the previous two months. October gains reflect an increase of 13,000 full-time and 21,000 part-time jobs. Since the beginning of the year, full-time employment has risen 243,000 (1.9%), more than offsetting a decline of 52,000 (1.7%) in part-time jobs.
- The number of hours worked edged down 0.6% in October. Most of the decline is associated with an estimated 60,000 federal government employees that were absent from work due to a labour dispute during the Labour Force Survey reference week.
- Youth employment rose 11,000, all in part-time. (18,000). So far this year, youth employment has risen 27,000 (2.1%).
- The employment rate edged up 0.1 percentage point to 62.7% to reach its historical peak.

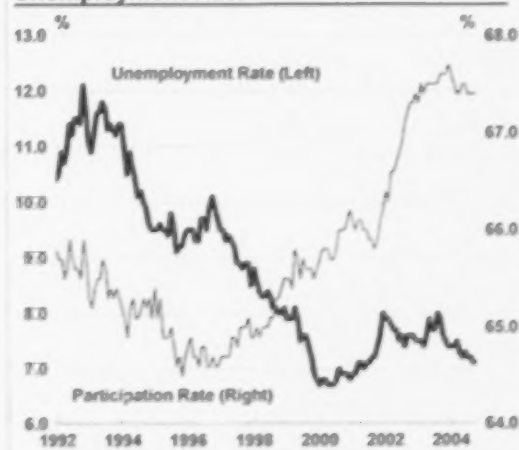
...and the unemployment rate remained at 7.1%

- Despite the employment gains, the unemployment rate remained at 7.1%, as more people sought jobs in October.
- The unemployment rate edged down to 13.4% for youths and rose to 5.9% for adults.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 October	2004 September	2004 October	last month	last year	year-to- date	last month	last year
Employment	15,822.0	16,076.4	16,110.7	34.3	288.7	190.0	0.2	1.8
Full-time	12,843.0	13,146.5	13,159.7	13.2	316.7	242.5	0.1	2.5
Part-time	2,979.0	2,929.9	2,951.0	21.1	-28.0	-52.4	0.7	-0.9
Youth 15-24	2,397.6	2,434.8	2,445.3	10.5	47.7	26.5	0.4	2.0
Adult 25+	13,424.5	13,641.5	13,665.4	23.9	240.9	163.6	0.2	1.8
Self-employed	2,433.8	2,472.4	2,485.3	12.9	51.5	47.9	0.5	2.1
Unemployment	1,304.3	1,221.4	1,230.6	9.2	-73.7	-36.2	0.8	-5.7
Unemployment Rate	7.6	7.1	7.1	0.0	-0.5	-0.3		
Youth 15-24	13.9	13.5	13.4	-0.1	-0.5	-0.6		
Adult 25+	6.4	5.8	5.9	0.1	-0.5	-0.2		
Labour Force	17,126.3	17,297.8	17,341.2	43.4	214.9	153.8	0.3	1.3
Participation Rate	67.6	67.4	67.4	0.0	-0.2	-0.3		
Employment Rate	62.4	62.6	62.7	0.1	0.3	0.0		

LABOUR MARKET TRENDS



Industry Overview

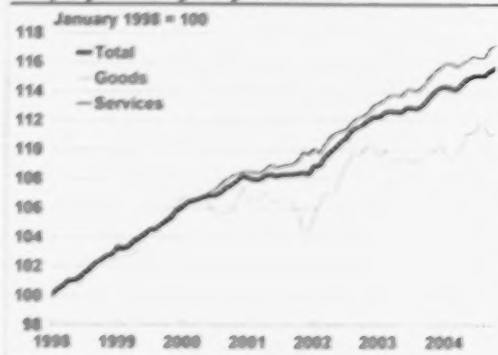
Employment in the Goods sector recovered partially, fuelled by job gains in construction

- Employment in the Goods sector edged up 5,000 in October, following declines in August (7,000) and September (21,000). Employment rose in construction and agriculture, offsetting losses in utilities, natural resources and manufacturing. Since the beginning of 2004, the Goods sector has gained 29,000 jobs (0.7%), due to 56,000 more jobs in construction.
- Employment in the manufacturing sector posted its third consecutive monthly decline (totalling 34,000), wiping out job gains recorded earlier this year. Manufacturing employment is down by about 85,000 since its peak in November 2002, with most losses concentrated in Quebec and Ontario.

Strong job creation in sales pushed employment in services up further

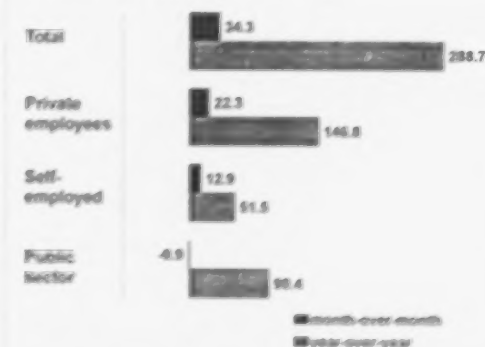
- Employment rose 30,000 in the Services sector, following an increase of 64,000 in September. The highest gains were in trade (45,000), while the largest losses were in transportation* (19,000) and FIRE* (16,000).
- Employment in the service sector has risen 161,000 (1.4%) since the beginning of 2004, concentrated mostly in trade (68,000), professional, scientific and technical services (48,000), FIRE* (35,000), and health care & social assistance (23,000). Industries posting job losses were only accommodation & food (13,000), educational services (9,000) and transportation* (3,000).

Employment by Major Sector



Employment Growth by Worker Category

October 2004 (thousands)



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 October	2004 September	2004 October	last month	last year	year-to- date	last month	last year
Goods-producing	3,988.0	4,039.2	4,044.0	4.8	56.0	26.7	0.1	1.4
Agriculture	334.8	325.7	330.0	4.3	-4.8	-16.5	1.3	-1.4
Natural Resources*	300.7	299.9	296.3	-3.6	-4.4	0.3	-1.2	-1.5
Utilities	133.4	134.3	130.3	-4.0	-3.1	-0.4	-3.0	-2.3
Construction	946.6	998.7	1,012.9	14.2	66.3	55.8	1.4	7.0
Manufacturing	2,272.5	2,280.5	2,274.6	-5.9	2.1	-10.4	-0.3	0.1
Services-producing	11,834.0	12,037.2	12,066.7	29.5	232.7	161.3	0.2	2.0
Trade	2,474.2	2,499.9	2,545.1	45.2	70.9	67.7	1.8	2.9
Transportation*	775.3	798.0	779.2	-18.8	3.9	-3.0	-2.4	0.5
FIRE*	953.1	1,007.2	981.6	-15.6	38.5	34.9	-1.5	4.0
Professional/Scientific	998.8	1,021.2	1,032.3	11.1	33.5	47.8	1.1	3.4
Business/Building	615.5	644.5	641.4	-3.1	25.9	3.8	-0.5	4.2
Educational Services	1,047.4	1,046.3	1,052.1	5.8	4.7	-9.0	0.6	0.4
Health Care/Social Assistance	1,712.2	1,754.7	1,755.1	0.4	42.9	22.9	0.0	2.5
Information/Culture/Recreation	713.0	720.4	723.5	3.1	10.5	6.5	0.4	1.5
Accommodation & Food	1,026.1	1,011.0	1,016.9	5.9	-9.2	-12.6	0.6	-0.9
Other Services	688.5	703.0	700.8	-2.2	12.3	1.2	-0.3	1.8
Public Administration	829.8	831.1	828.6	-2.5	-1.2	1.0	-0.3	-0.1

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.

LABOUR MARKET TRENDS



Provincial Overview

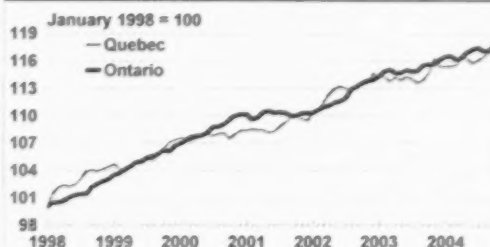
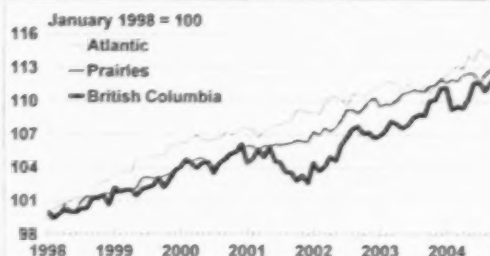
Job gains were concentrated in British Columbia and Ontario...

- Among western provinces, British Columbia registered the highest employment increase (12,000) in October, all in full-time (31,000). Employment also rose in Saskatchewan and Manitoba, while it declined in Alberta.
- Ontario's employment surged 33,000 in October, bringing its job gains to 88,000 (1.4%) so far this year. Quebec lost 12,000 jobs, mostly in the manufacturing sector (19,000), but has gained 39,000 jobs since last December.
- There were small employment changes in the Atlantic provinces, except in New Brunswick where employment declined 3,000. Over the last twelve months, all provinces have posted employment growth, led by Nova Scotia (3.3%), New Brunswick (2.7%) and British Columbia (2.0%).

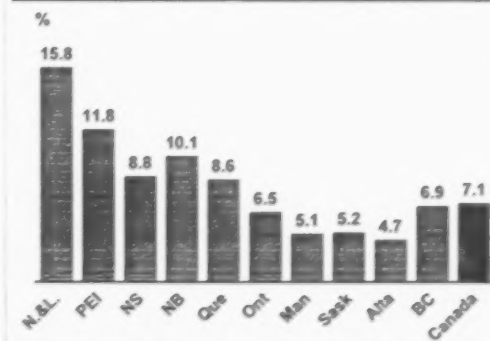
...while the unemployment rate declined in all western provinces

- With British Columbia's unemployment rate falling to 6.9%, all western provinces now have an unemployment rate lower than the national average. Over the past year, British Columbia has posted the largest decline in the unemployment (0.9 percentage points) among all provinces.
- Despite large employment gains, Ontario's unemployment rate remained at 6.5% as more people entered the labour force. Job losses pushed up the unemployment rate to 8.6% in Quebec and to 10.1% in New Brunswick.
- Prince Edward Island's unemployment rate rose 0.5 percentage point to 11.8% as the labour force grew at a faster pace than employment.

Regional employment patterns



Unemployment Rates —October 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment Rate (%)		
	Levels	Change since		Change since	Levels	Change since	
	2004 October	last month (000's)	%	last year (000's)	2004 October	last month	last year
Canada	16,110.7	34.3	0.2	288.7	7.1	0.0	-0.5
Newfoundland & Labrador	219.6	0.1	0.0	3.8	15.8	-0.1	-0.8
Prince Edward Island	69.8	0.5	0.7	0.9	11.8	0.5	1.2
Nova Scotia	446.7	-0.2	-0.0	14.2	8.8	0.0	-0.7
New Brunswick	353.7	-3.0	-0.8	9.4	10.1	0.5	-0.7
Quebec	3,720.7	-11.8	-0.3	61.9	8.6	0.3	-0.7
Ontario	6,373.9	32.8	0.5	116.3	6.5	0.0	-0.4
Manitoba	579.0	1.2	0.2	9.3	5.1	-0.5	-0.2
Saskatchewan	493.2	4.9	1.0	8.3	5.2	-0.6	-0.4
Alberta	1,762.4	-2.0	-0.1	23.1	4.7	-0.1	-0.3
British Columbia	2,091.7	11.8	0.6	41.5	6.9	-0.2	-0.9

PRICES and FINANCIAL MARKETS

Consumer and Commodity Prices



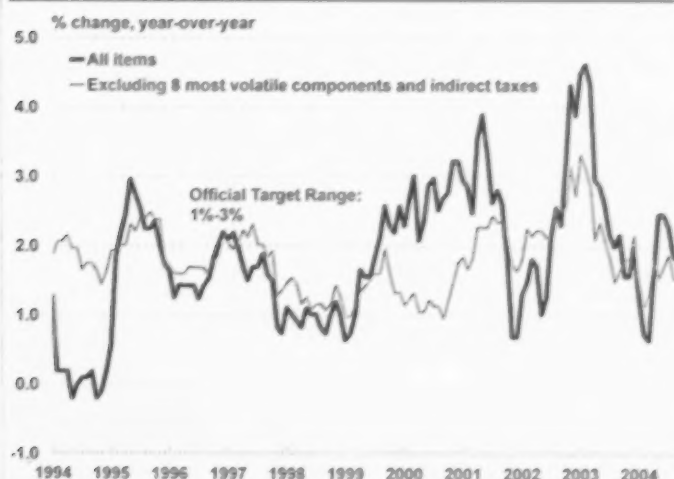
Inflation moderated to 1.8% in September...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) moderated to 1.8% in September from 1.9% in August. A decline in natural gas prices (-2.3%) and purchase costs of automobiles (-2.0%) contributed to the moderation. The rise in gasoline prices in September (7.2%) also eased compared to summer months. Excluding energy, inflation in September (1.4%) was lower than in August (1.5%).
- Inflation moderated in most provinces, led by Manitoba (2.6% in August to 1.8% in September) and Alberta (2.0% to 1.5%). Inflation was unchanged in Ontario and increased in Nova Scotia and New Brunswick.
- On a month-to-month basis (seasonally adjusted), the CPI rose 0.2% after falling 0.2% in August.
- The year-over-year increase in commodity prices was 32.1% in October, up from 25.0% in September. The jump was due to energy price inflation, which rose to 55.5% from 35.3% in September. On a monthly basis, commodity prices jumped 6.8% following a 1.9% decrease in September. Excluding energy prices, commodity prices fell 3.5% in October following a 2.2% decrease in September.

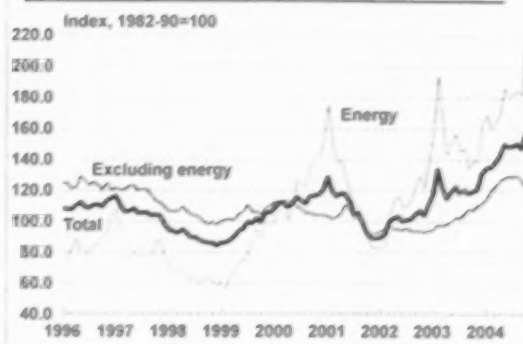
...and the "core" rate remained at 1.5%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, remained at 1.5% in September, below the midpoint of the 1%-3% official target range.

Consumer Price Index



Commodity Prices (\$US basis)



Consumer Prices

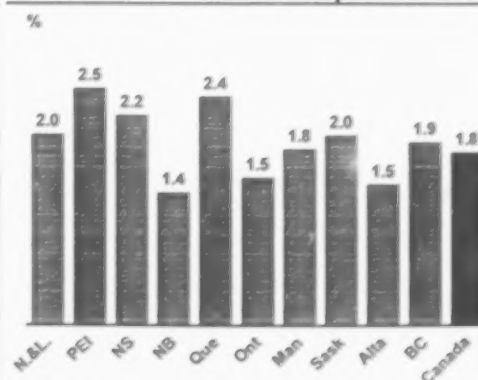
September 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	124.9	0.1	1.8
Food	124.7	-0.5	2.8
Shelter	121.2	0.2	2.8
Household operations	115.4	0.3	0.3
Clothing & Footwear	104.9	3.0	-0.1
Transportation	143.7	-0.7	1.3
Health & Personal Care	119.2	0.3	1.4
Recreation, Educ. & Reading	129.4	0.6	0.4
Alcohol & Tobacco	144.6	-0.1	5.5
Excl. 8 Most Volatile/Indirect Taxes	124.7	0.3	1.5
Energy	151.7	-0.5	5.8

Commodity Prices (October 2004)

Index, 1982-90=100	158.0	6.8	32.1
Excluding Energy	122.7	-3.5	14.2
Energy	217.5	19.0	55.5

Provincial CPI Inflation -- September 2004



PRICES and FINANCIAL MARKETS



Short-term and Long-term Interest Rates

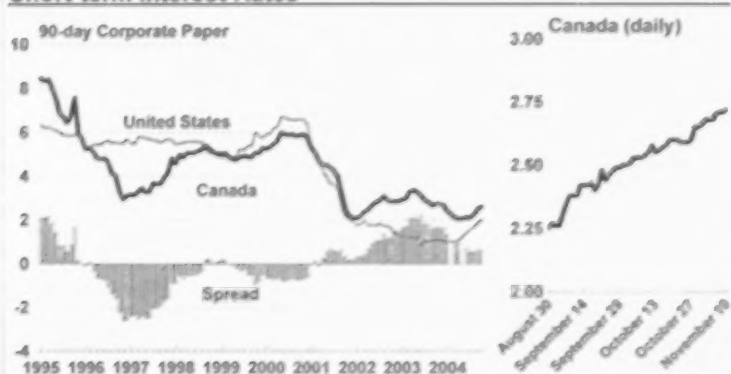
Short-term interest rates in North America trended higher...

- In the United States, the Federal Reserve raised its fed funds rate by 25 basis points (bps) to 2.0% on November 10, the fourth consecutive rate increase. The Fed noted that the economy appeared to be growing as expected despite the rise in energy prices, as labor market conditions have improved and inflation expectations remained contained. The Bank of Canada raised its target for the overnight rate by 25 basis points (bps) to 2.50% on October 19, following a 25 bps increase in September, and left the door open for further increases on December 7, the next scheduled announcement.
- The rate on three-month corporate paper was 2.75% in Canada on November 15 and 2.21% in the U.S., up about 65 bps since mid-August.

...and long-term yields also edged up

- Evidence of healthy labour markets on both sides of the border gave some support to bond yields. U.S. 10-year yields rose about 20 bps to 4.20% on November 15, up from 4.0% on October 25. However, Canadian yields rose less, edging up slightly from 4.44% in late October to 4.51% on November 15, and resulting in a narrowing of the spread to about 30 bps.
- One-year mortgage rates were 4.90% on November 10, up from 4.80% one month ago. Five-year mortgage rates eased back to 6.30% on November 10, from a brief jump to 6.50% in mid-October.

Short-term Interest Rates

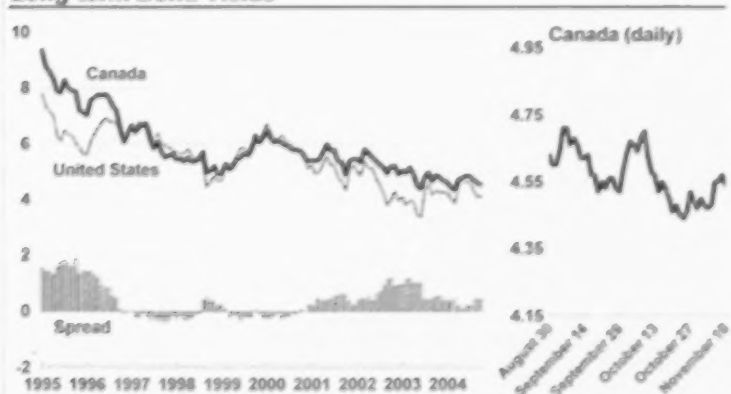


Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
May	2.07	N/A	4.77	0.10
June	2.10	0.70	4.83	0.21
July	2.12	0.55	4.82	0.21
August	2.22	0.55	4.68	0.42
September	2.50	0.65	4.58	0.48
October	2.60	0.59	4.52	0.41
Nov. 10 *	2.72	0.55	4.54	0.29

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics

Long-term Bond Yields



Key Lending Rates

(end of period)	Overnight Lending Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
May	2.00	3.75	4.55	6.50
June	2.00	3.75	4.70	6.70
July	2.00	3.75	4.60	6.55
August	2.00	3.75	4.40	6.30
September	2.25	4.00	4.80	6.30
October	2.50	4.25	4.90	6.40
Nov. 10 *	2.50	4.25	4.90	6.30

* Bank of Canada's Weekly Financial Statistics

PRICES and FINANCIAL MARKETS

Exchange Rates and Stock Prices



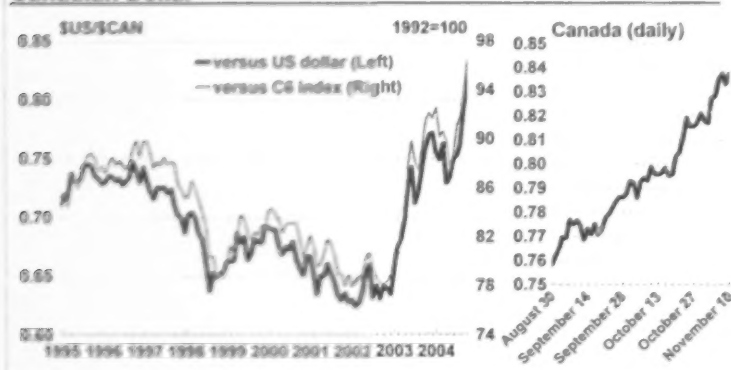
The Canadian dollar is near its equilibrium level

- Since the beginning of September, the Canadian dollar has appreciated steadily, rising about US¢7.5 (9.6%) to close at US¢83.3 on November 15. Since early November, the loonie has traded above US¢83, which is considered by the OECD to be its long-term equilibrium value. The U.S.-Canada exchange rate has been trading below its long-term equilibrium value for over a decade, but it is not uncommon for major currencies to trade above or below their estimated equilibrium levels for an extended period of time.
- The upward trend of the Canadian dollar against the euro and Japanese yen continued in November. In the last six months, the dollar appreciated about 7.3% against the euro and 8.3% against the yen.

Stock markets rose in November

- The S&P/TSX has maintained its momentum amid further evidence of good economic and employment conditions. The index closed at 8,937 on November 15, the highest in 45 months. The index rose 7.6% in August with gains in resource and financial stocks.
- With oil prices at two-month lows, the Dow Jones picked up in mid-November after falling below 10,000 in October. The index closed at 10,550 on November 15, 8.2% above its level on October 25 (9,750).

Canadian Dollar

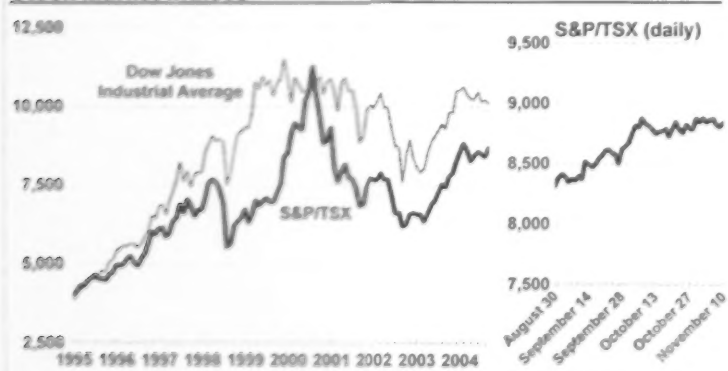


The Canadian Dollar

(close)	\$US vs. \$CAN	index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
May	0.7335	87.57	1.662	80.23
June	0.7497	88.68	1.627	81.59
July	0.7522	91.00	1.599	83.64
August	0.7616	91.80	1.599	83.19
September	0.7926	93.52	1.569	87.21
October	0.8210	96.36	1.559	86.88
Nov. 10	0.8375	99.93*	1.540	89.74

* Bank of Canada's Weekly Financial Statistics

Stock Market Indices



Key Stock Market Indexes

	September Close	% change from	
		last month	last year
S&P/TSX	8,668	3.5	16.8
Energy	187	8.6	38.5
Metals & Mining	247	10.9	53.8
Utilities	145	0.3	2.9
Materials	162	7.0	25.5
Industrial	69	-0.4	-2.4
Financial	144	1.5	19.8
Gold	215	6.0	11.2
Telecommunication	61	-0.6	5.2
Information Technology	30	0.9	21.5
Consumer Discretionary	86	1.3	7.8
Consumer Staples	177	3.6	9.5
S&P 500	1,114.6	0.9	10.7
Dow Jones	10,080	-0.9	8.7



U.S. Economic Trends

U.S. growth picked up slightly in the third quarter

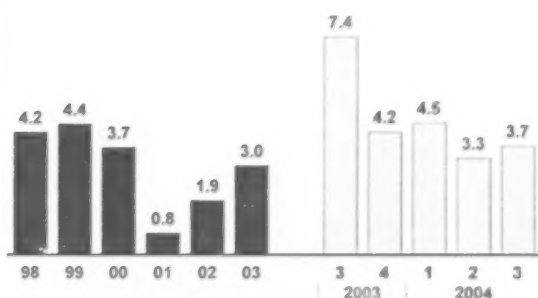
- According to advanced estimates, real gross domestic product (GDP) increased 3.7% (annual rate) in the third quarter following a 3.3% rise in the second quarter. Growth was fuelled by consumer spending which rose 4.6%, up from 1.6% in the second quarter. Moreover, net exports exerted a lesser drag. Business investment in equipment and software also contributed, rising 14.9% in the third quarter following a 14.2% rise in the second quarter. These factors more than offset a drop in inventory investment as the level of inventories went down in the third quarter.
- Third quarter labour productivity rose 1.9% in the non-farm business sector following strong increases of 3.9% (revised up from 2.5% due to upward revision to output growth and downward revision to hours) in the second quarter and 3.7% in the first quarter. The slowdown reflected an increase in total hours worked, which rose 2.1% in the third quarter compared to 0.3% in the second quarter as output growth remained just above 4.0%. Employment growth has contributed to output growth since the third quarter of 2003, but, by and large, productivity has remained the major engine of growth. This is particularly the case in the manufacturing sector where hours worked has resumed declines in the past two quarters.

Non-farm employment increased sharply in October

- Non-farm employment rose by 337,000 in October, double the gain expected by analysts and the largest increase since March 2004. Gains were broadly based, with notable increases in professional and business services (97,000) as well as education and health services (62,000). Due to reconstruction efforts in hurricane-stricken areas, construction employment increased by 71,000 in October. Non-farm employment (payroll concept) figures were upwardly revised by 40,000 to 139,000 in September and 70,000 to 198,000 in August.

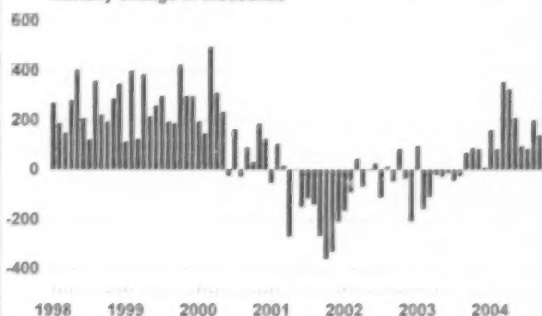
U.S. Real GDP Growth

% change, SAAR



U.S. Non-Farm Payrolls

Monthly change in thousands

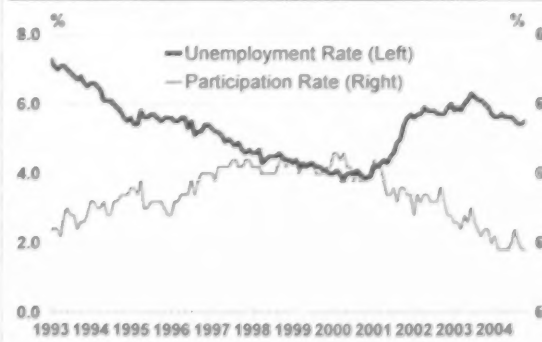


U.S. Consumer Price Inflation

% change, year-over-year



U.S. Unemployment & Participation Rates



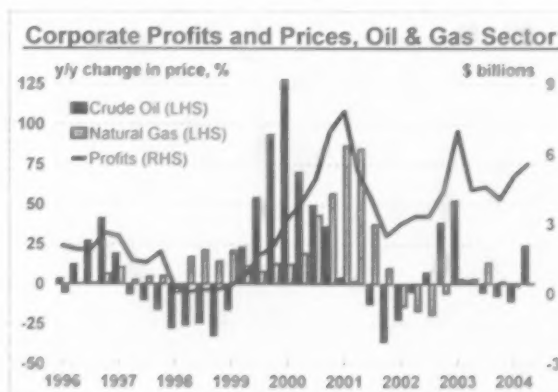
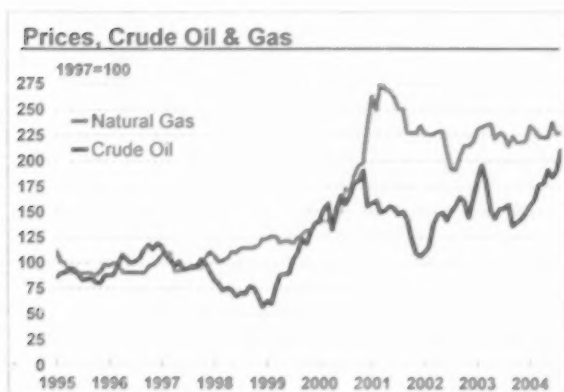
Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

SPECIAL REPORT

Canada's Oil and Gas Sector

The rise in the price of oil is a threat to global growth...

- The price of crude oil closed the week of November 5 near US\$50, a 68% increase from the same week in 2003 and 14% above the average price of about US\$44 in the third quarter of 2004. The rising price of oil is mostly due to higher demand, particularly from China and other newly industrialized economies in Asia. Demand in North America has also not abated, where automobile and house sales rose so far in 2004 and have contributed to demand for gasoline and home heating oil.
- Most analysts anticipate oil prices to stabilize at a higher level than expected one year ago due to robust world growth. The International Monetary Fund (IMF) estimates world growth at 5.0% in 2004 before moderating somewhat to 4.3% in 2005. The strength of the global economic recovery has led the International Energy Agency (IEA) to revise upward its oil demand forecast all through 2004. At the same time, uncertain supply conditions including some disruptions in major oil producing countries like Russia, Nigeria, and Venezuela have also put upward pressure on crude oil prices.
- According to the IMF, Germany, France, and other countries in the eurozone, with already sluggish output and employment growth, are expected to face a more pronounced economic growth slowdown in 2004 and 2005. They are more dependent on oil imports than economies in North America and Japan. The United States (U.S.) economy is less vulnerable to rising oil prices as it satisfies over 40% of its oil needs with domestic production, but its oil intensity is higher. Nevertheless, analysts widely forecast that the rising price of crude oil has already reduced U.S. GDP growth by 0.5 to 0.8 percentage point in 2004.
- As a net exporter of oil, Canada's receipts from the rest of the world will increase, as will profits in the oil and gas sector. Oil rich provinces such as Alberta and Newfoundland and Labrador benefit most. In addition, a rise in natural gas prices (which tend to follow a rise in oil prices) can provide some benefit to British Columbia, Saskatchewan, and gas-producing Atlantic provinces (Newfoundland and Nova Scotia). On the downside, provinces (Ontario, Quebec, and Manitoba) with relatively large energy-intensive sectors like manufacturing and transportation face a moderation in economic growth.
- A sustained rise in energy prices normally leads to an increase in consumer and producer prices, and lower spending by consumers and businesses. A slowdown in consumption, particularly in the U.S. (Canada's largest trading partner) will undoubtedly reduce Canada's growth prospects. Canada's outward-oriented economy is more vulnerable to a slowdown in global demand than other industrial economies, which will likely have an impact in the longer term as oil-importing countries reduce their demand for Canadian goods and service exports. In October's Monetary Policy Report, the Bank of Canada revised down Canada's growth for 2005 by 0.5 percentage point to about 3.0%. It indicated that higher oil prices are likely to have a small negative impact on Canadian GDP in the near term, before the positive impact of higher energy output and capital spending is realized.

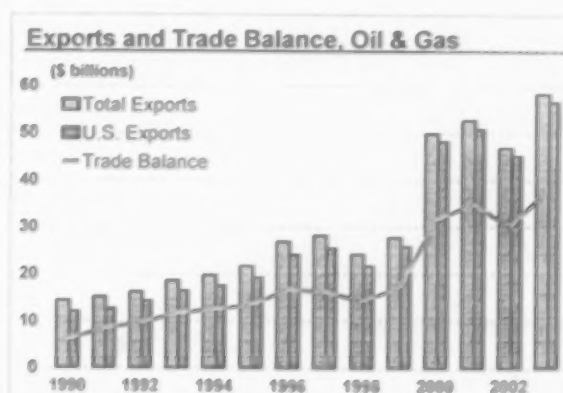
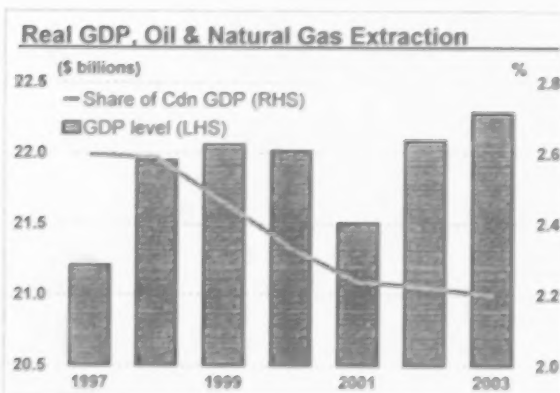


SPECIAL REPORT

Canada's Oil and Gas Sector

...but how will it impact Canada's oil and gas sector?

- The benefit to Canada of rising oil prices stems from increased activity in the oil and gas sector, which will be reviewed in this section.
- In 2003, the oil and gas extraction sector accounted for 2.2% (\$22.3 billion) of total Canadian output and 0.3% (41,300) of total employment. From 1997 to 2003, real output in the sector grew at an average rate of 0.9% per year compared to 3.7% for the total economy. In these years, employment in oil and gas extraction (3.3%) grew at a faster average annual rate than employment in the total economy (2.4%).
- The oil and gas industry is a large component of Canada's trade. Oil and gas exports rose 24.5% from 2002 to 2003 and accounted for 15.3% of total merchandise exports. In 2003 the trade surplus in crude oil and natural gas was \$32.7 billion, more than half of the overall merchandise trade surplus of \$58.1 billion. Canada has long been a net exporter of oil, and the U.S. is essentially our only trading partner. It was the market for 97 percent of Canada's oil and gas exports in 2003, and all of Canada's crude oil and natural gas exports in the first quarter of 2004.
- Corporate profits in the energy sector increased 42.5% in 2003. Profits have risen at a healthy pace so far in 2004 due to higher crude oil prices, but their growth will likely moderate compared to 2003. Nonetheless, profits will remain at historically high levels. This is expected to lead to further exploration and development of non-conventional sources of crude oil such as the oil sands in northern Alberta and off-shore drilling in Atlantic Canada. These new projects face high development and extraction costs, and so become viable when the price of oil and profits face a sustained rise. The Canadian Association of Petroleum Producers (CAPP) estimates exploration and development costs are twice as high in Canada than the world average.
- Increases in productivity can also contribute to the profitability of new developments. According to the Conference Board, labour productivity rose 1.9% per year from 1987 to 2002, which was mostly due to a high level of investment in capital stock and new technologies. At the same time, capacity utilization fell from 81% in 1995 to 63% in 2003, well below the historical average, indicating that the sector may be able to expand output without an immediate need to increase its capital stock.
- The benefit of higher oil prices has already been evident in the sector. After growing 0.9% in 2002, the sector grew an average of 5.0% in the first two quarters of 2004, leading to a rise in capacity utilization to 65.2% in the second quarter. In the short-term, however, development of new projects, which are subject to regulatory approval, and tight markets for some inputs, including skilled labour, may limit the direct positive impact of higher oil prices on activity.



Sources: Bank of Canada, October Monetary Policy Report, Canadian Association of Petroleum Producers, Conference Board of Canada, International Energy Agency, International Monetary Fund, World Economic Outlook (September 2004), Statistics Canada.

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - October	November 23
Financial Statistics for Enterprises - 3rd Quarter 2004	November 24
Balance of International Payments - 3rd Quarter 2004	November 29
National Economic and Financial Accounts - 3rd Quarter 2004	November 30
Real GDP by Industry - September	November 30
Labour Force Survey - November	December 3
Key Policy Interest Rate Announcement	December 7
Canadian International Merchandise Trade - October	December 14
Monthly Survey of Manufacturing - October	December 14

UNITED STATES

GDP - 3rd Quarter 2004 (preliminary)	November 30
The Employment Situation - November	December 3
International Trade in Goods and Services - October	December 14
Federal Open Market Committee Meeting	December 14
Consumer Price Index - November	December 17

Note: The November 2004 MEI uses data available as of November 17, 2004



Industry
Canada

Industrie
Canada

Monthly Economic Indicators

December 2004

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at http://strategis.ic.gc.ca/epic/internet/meas-aes.nsf/en/h_ra01898e.html

Canada

MONTHLY ECONOMIC INDICATORS

December 2004

HIGHLIGHTS

-  **Real Gross Domestic Product (GDP) rose at a robust pace (3.2%) in the third quarter, despite no growth in September. Growth was fuelled by domestic demand as exports declined.**
-  **Employment was flat in November, while the unemployment rate rose by 0.2 percentage point to 7.3%. Manufacturing employment fell further, bringing total job losses to 52,000 in that sector since July.**
-  **Merchandise exports declined further in October while imports rose, resulting in a further narrowing of the trade surplus.**
-  **Overall, available indicators point to slower growth in the fourth quarter.**
-  **In the United States (U.S.), real GDP growth for the third quarter was revised up to 3.9% and recent indicators point to continued solid growth in the fourth quarter.**
-  **The Bank of Canada kept its overnight rate at 2.5% on December 7. The U.S. Federal Reserve, however, raised its fed funds rate by a further 25 basis points to 2.25% on December 14.**
-  **The Canadian dollar has retreated in recent days, falling to just about US¢81 cents on December 15 from a 12-year high of about US¢85 cents in late November.**

Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$97 B)	1,052.6	0.0	3.4	Sep.
Goods	331.0	-0.1	3.8	Sep.
Services	722.6	0.0	3.1	Sep.
Composite Index	200.2	0.2	7.8	Oct.
Employment (000's)	16,115	0.0	1.5	Nov.
Full-time	13,134	-0.2	2.0	Nov.
Part-time	2,981	1.0	-0.6	Nov.
Unemployment* (%)	7.3	7.1	7.5	Nov.
Youth*	13.2	13.4	13.3	Nov.
Adult*	6.1	5.9	6.4	Nov.
CPI inflation*	2.3	1.8	1.6	Oct.
Retail Sales (\$M)	29,137	0.2	4.7	Sep.
Housing Starts (000's)**	238.2	5.9	9.9	Nov.
Trade Balance* (\$M)	4,351	5,043	4,854	Oct.
Exports	35,625	-1.1	10.1	Oct.
Imports	31,274	0.9	13.7	Oct.
M&E	8,770	-0.3	13.0	Oct.

	November		
	December 15 ***	2004	2003
3-mth Corp. paper (%)*	2.55	2.74	2.73
Long bond yield (%)*	4.22	4.44	4.79
Canadian dollar (US¢)*	81.65	84.32	76.98

*Data in levels only - % change not reported

**Canada Mortgage and Housing Corporation

***Bank of Canada's Weekly Financial Statistics

All other data from Statistics Canada

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Industry
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Canada

Canada

MONTHLY ECONOMIC INDICATORS

December 2004

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This issue uses data available as of December 15, 2004. It has been prepared by Éric Chalifoux, Stéphane Crépeau, Kevin Koch, Joseph Macaluso, Sue Moore, François Poitras and François Rimbaud of the Micro-Economic Analysis Directorate, under the direction of Hossein Rostami. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support.

Sources of information primarily include Statistics Canada, as well as the Bank of Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association, Conference Board of Canada, U.S. Bureau of Economic Analysis, and U.S. Bureau of Labor Statistics. Unless cited otherwise, data contained in graphs and tables are derived from Statistics Canada.

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THE ECONOMY

National Economic and Financial Accounts



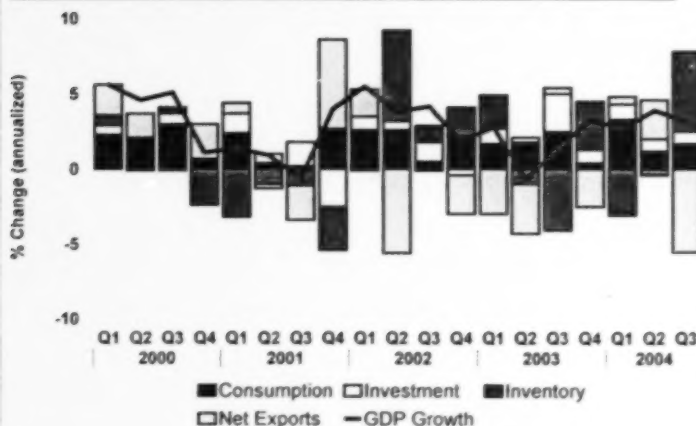
A decline in exports led to a moderation in growth in the third quarter...

- Real gross domestic product (GDP) increased 3.2% (all rates annualized) in the third quarter, after increasing 3.9% in the previous quarter.
- Consumer spending and business investment in machinery and equipment both picked up in the third quarter, advancing 3.0% and 8.2%, respectively.
- Business inventory accumulation surged from \$2.3 billion (chained 1997 dollars) in the second quarter to \$16.9 billion in the third quarter. The build-up was widespread across manufacturers, wholesalers and retailers, especially related to motor vehicles.
- Net exports shaved about 5.0 percentage points from GDP growth, as exports fell 2.0% and imports rose 13.0%. In the second quarter, exports grew 18.0%.
- Statistics Canada revised down real GDP growth in the first two quarters of 2004. This, together with recent signs of an economic slowdown, led Consensus Forecasts (December issue) to revise down the growth outlook for 2004 and 2005 by 0.3 percentage point to 2.7% and 3.0%, respectively.

...while profits continued to rise at a healthy pace

- Pre-tax corporate profits rose 8.5% following a 33.0% increase in the second quarter. At 13.9% of GDP, corporate profits are well above the historical average of about 10%.
- Personal disposable income rose 2.0% in the third quarter, down from 5.0% in the second, reflecting an increase in taxes (Ontario health premiums). The savings rate fell to nearly zero, the lowest on record, from a downwardly revised 0.5% in the third quarter.

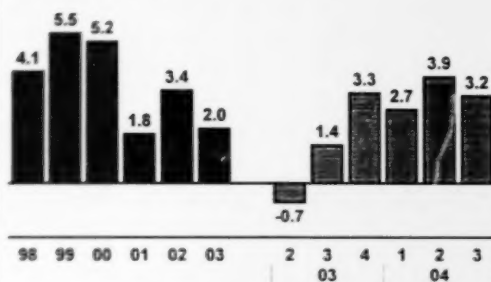
Contributions to Quarterly Real GDP Growth* (Annualized)



* For the purpose of simplification and given their relative stability over time, contributions from government expenditures are not shown.

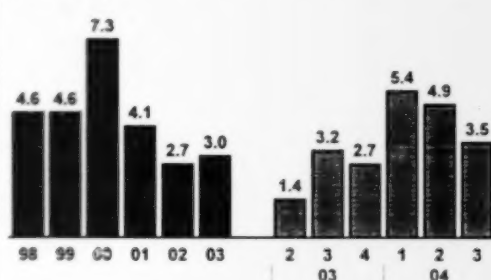
Real GDP Growth

% Change, SAAR

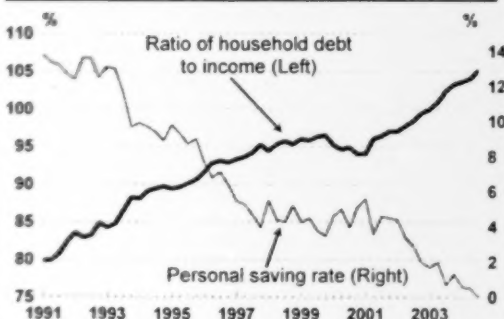


Growth in Personal Income

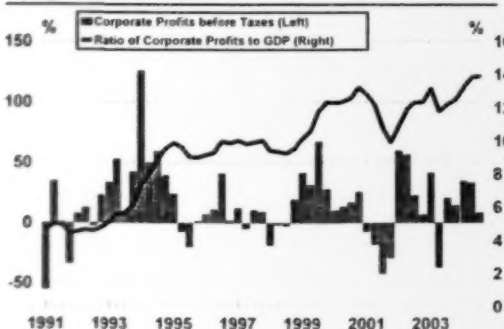
% Change, SAAR



Personal Debt and Savings Rate



Corporate Profits



THE ECONOMY

Capacity Utilization Rate

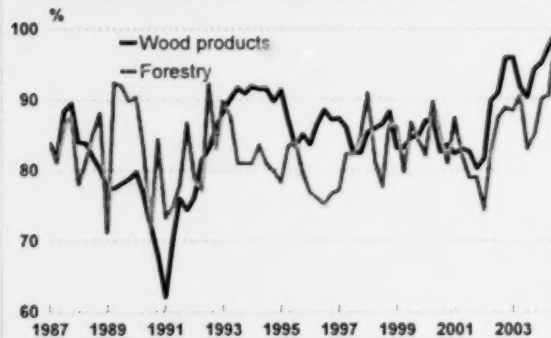
Strong manufacturing output pushed its capacity utilization to a record high in the third quarter...

- The capacity utilization rate for non-farm goods-producing industries recorded its fifth consecutive quarterly increase in the third quarter. Industries operated at 85.7% of their production capacity, 1.5 points below the peak reached in the first quarter of 1988. The increase was mainly driven by the manufacturing sector, which posted an annualized increase of 8.4% in output.
- Capacity utilization in the manufacturing sector stood at 88.5% in the third quarter of 2004, up 6.9 percentage points from a year ago and a record high since the availability of data in 1987. Over the past year, capacity utilization rates have increased in 16 out of 21 industries, with double-digit increases in chemical, fabricated metal products, machinery, and computer and electronic products. Moreover, 10 industries were operating at more than 90% of their capacity and well above their 10-year average.
- Benefiting from strong housing demand in Canada and the U.S., the forestry and logging industry was using 98.5% of its capacity in the third quarter, an increase of 7.9 points from the second quarter and a record level. Furthermore, the forestry and logging sector was operating 15.2 points above its 10-year average.

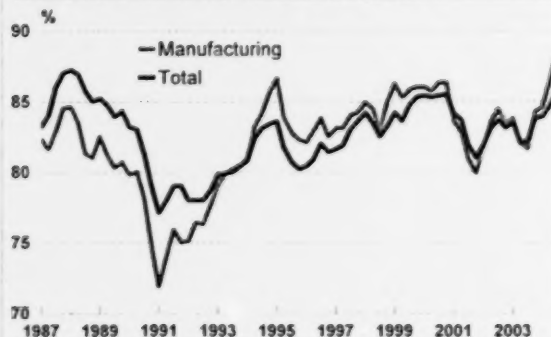
...but there are signs of weakening in the fourth quarter

- The appreciation of the Canadian dollar vis-à-vis the greenback, high energy prices and slowing foreign demand are depressing manufacturing activity in the fourth quarter. Manufacturing shipments declined for the second month in a row in October (1.3%) while fewer new orders were received and finished product inventories continued to increase. In addition, the manufacturing sector lost 18,000 jobs in November, bringing total job losses to 52,000 since July.

Industrial Capacity Utilization Rate



Industrial Capacity Utilization Rate



Capacity Utilization: Non-farm Goods-producing Industries

	Level (%) 2004Q3	Change (% points) Q/Q	Y/Y	10-year Average
Total Industrial	85.7	1.0	3.5	83.1
Forestry & logging	98.5	7.9	15.6	83.3
Mining & oil & gas extraction	74.8	-0.7	-1.2	76.6
Electric power *	85.2	1.1	0.9	84.6
Construction	84.5	-1.3	-3.6	84.9
Total Manufacturing	88.5	2.1	6.9	84.1
Food	84.7	1.7	5.4	80.8
Beverage & tobacco products	76.6	0.2	2.5	80.4
Textile mills	79.7	3.6	7.4	80.5**
Textile product mills	75.3	0.4	-0.9	79.2**
Clothing	69.2	-2.2	-6.2	82.0
Leather & allied products	60.5	-2.0	-8.4	74.0
Wood products	99.2	1.8	8.9	87.3
Paper	91.9	1.6	1.7	90.3
Printing & related support activities	72.7	1.1	2.1	77.5
Petroleum and coal products	91.9	-1.3	-2.4	93.7
Chemical	93.9	4.2	13.0	83.0
Plastic & rubber products	91.9	0.7	4.9	85.2
Non-metallic mineral products	92.4	-2.6	0.0	82.0
Primary metal	98.2	1.0	5.2	91.1
Fabricated metal products	90.7	4.6	10.5	81.6
Machinery	90.5	4.9	12.5	81.5
Computer & electronic products	85.1	3.6	14.1	80.5
Electrical equipment	79.0	1.8	7.5	82.5
Transportation equipment	90.9	1.7	8.1	87.0
Furniture & related products	76.3	1.0	0.3	81.3
Miscellaneous manufacturing	79.3	0.8	2.7	81.6

* Electric power generation, transmission & distribution

** Represents available data between 1997Q1-2004Q3

THE ECONOMY

International Accounts



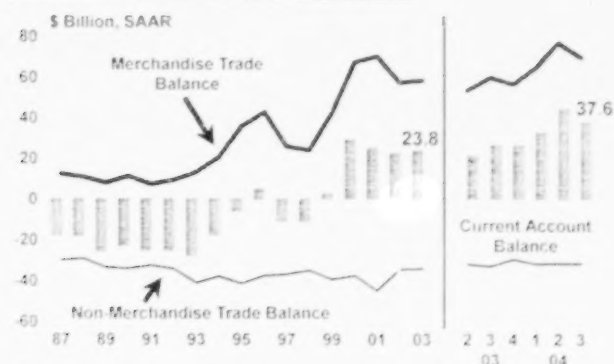
The current account surplus moderated in the third quarter...

- The current account surplus decreased \$1.8 billion to \$9.4 billion (\$37.6 billion annualized) in the third quarter, primarily due to a lower surplus on trade in goods and a higher deficit on investment income.
- The surplus on trade in goods stood at \$17.3 billion (\$69.3 billion annualized) as imports rose (2.5%) more than exports (0.4%). The increase in imports was led by automotive products, industrial goods and crude petroleum. The deficit in services declined \$0.3 billion to \$2.6 billion. Moreover, the deficit on investment income increased \$0.3 billion to \$5.4 billion, resulting from lower profits earned by Canadian direct investors.

...while Canadian direct investment abroad continued to increase

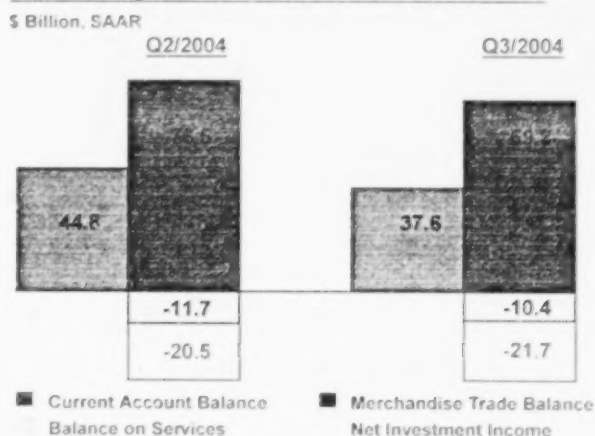
- Canadian direct investment abroad rose by \$11.1 billion, after a record increase in the second quarter. Foreign direct investment in Canada rose to \$5.8 billion, up from an outflow in the previous quarter. On an industry basis, the investment was led by machinery and transportation. Foreign portfolio investment in Canada increased by \$10.8 billion, as investors bought Canadian bonds and equities, but sold short-term instruments. The rise in equities was led by the largest share offering in Canadian history (Petro-Canada) and a corporate restructuring.
- Despite a net outflow of \$6.3 billion in the third quarter, Canada's external debt increased to \$192.9 billion (14.7% of GDP) from \$176.6 billion (13.7% of GDP). The external debt as a percentage of GDP had been steadily declining from a peak of 44.3% in 1994.

Current Account & Trade Balances

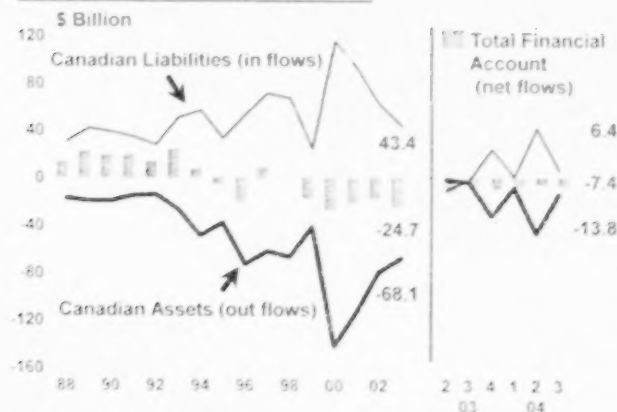


The merchandise trade balance represents net exports of goods.
 The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

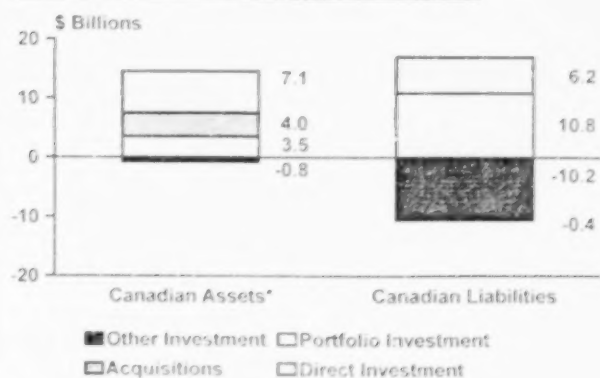
Main Components of the Current Account



Financial Account (Net Flows)



Financial Account Components, Q3/2004



* Reverse of BOP sign

THE ECONOMY

International Accounts



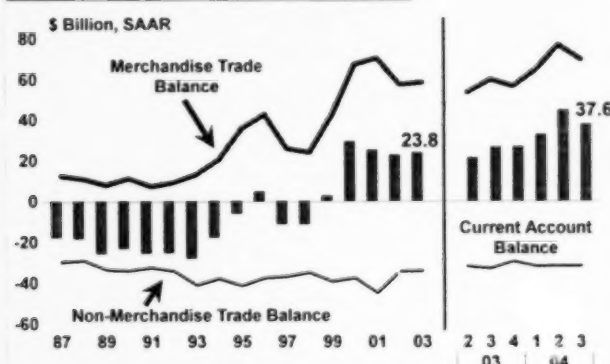
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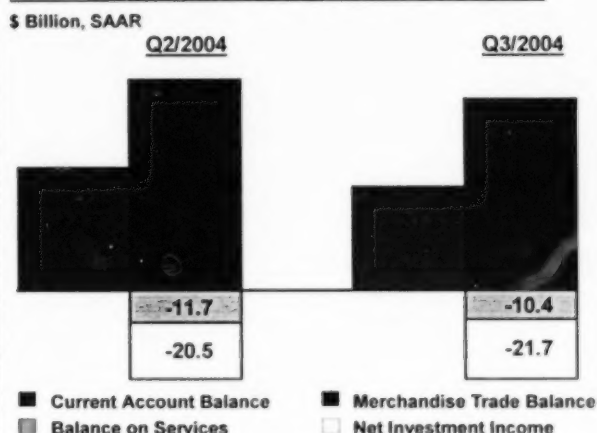
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Current Account & Trade Balances

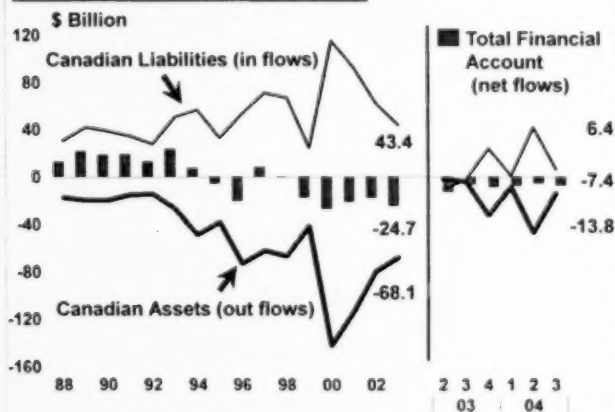


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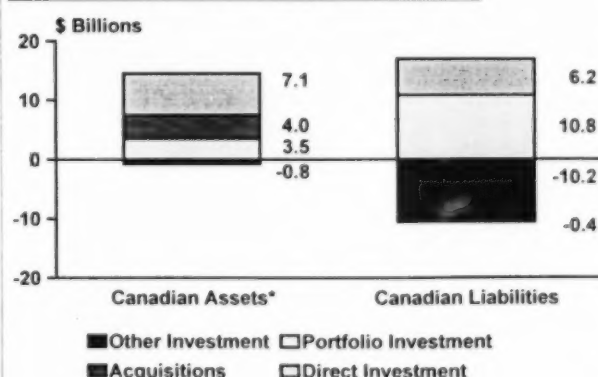
Main Components of the Current Account



Financial Account (Net Flows)



Financial Account Components, Q3/2004



* Reverse of BOP sign



Productivity & Competitiveness

Productivity declined in Canada and rose in the U.S. in the third quarter...

- Labour productivity in Canada's business sector declined 1.1% (annual rate) in the third quarter, as the number of hours worked grew at a faster pace than output. Productivity continued its lacklustre performance of the previous five quarters. At the same time, meanwhile, U.S. productivity rose 2.4% as output grew at a faster pace than the number of hours worked. This is the sixth straight quarter in which Canadian businesses have posted lower productivity performance than those of the U.S.

...while unit labour costs grew faster in the U.S.

- Canada's unit labour costs in the business sector rose 1.1% in the third quarter, as productivity edged down and wages remained unchanged. In the U.S., unit labour costs rose 1.5% as hourly compensation increased at a faster pace than productivity. It was the first time since the second quarter of 2002 that Canadian business had a lower unit labour cost growth than their U.S. counterpart. Higher productivity growth in the U.S. has been translated into higher growth in hourly compensation, i.e. a year-over-year rise of 4.0% in the U.S. versus no growth in Canada in the third quarter.

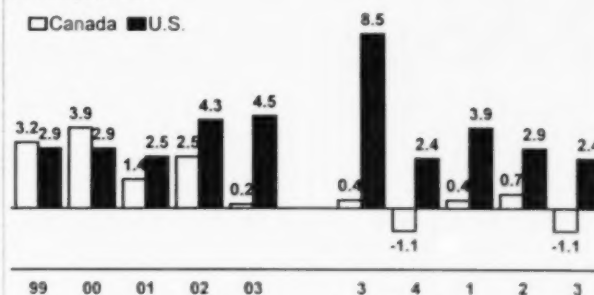
A higher Canadian dollar eroded Canada's competitiveness

- A decline in Canada's productivity relative to that of the U.S., combined with the appreciation of the loonie vis-à-vis the U.S. currency, led to a deterioration in competitiveness in the Canadian business sector. The Canadian dollar has appreciated further in the fourth quarter, averaging about US¢82 (mid-December) and an increase of about 7.0% over the third quarter. This should result in further erosion of Canada's competitiveness, pushing it near the level reached in 1993.

Productivity Growth

% Change, SAAR

□ Canada ■ U.S.

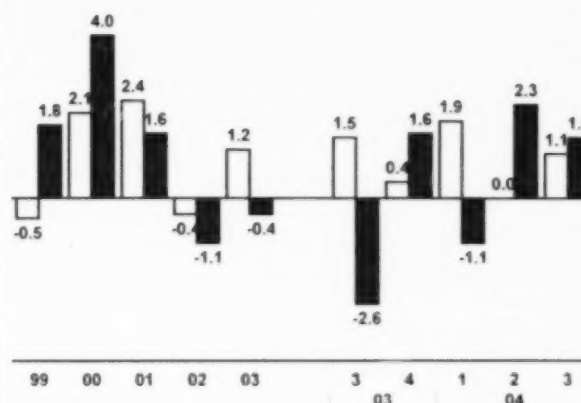


Source: Industry Canada calculations

Growth in Unit Labour Costs*

% Change, SAAR

□ Canada ■ U.S.



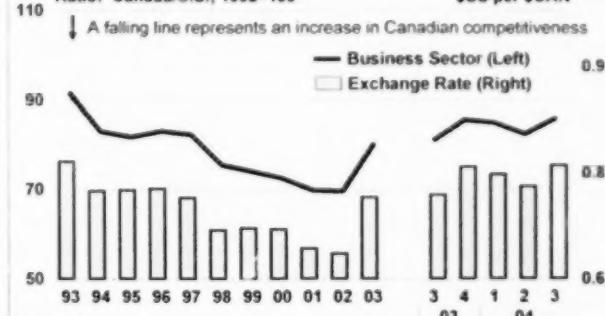
* For the business sector

Source: Statistics Canada, U.S. Bureau of Labour Statistics and Industry Canada calculations.

Unit Labour Cost Comparison (\$US)

Ratio: Canada/U.S.; 1992=100

\$US per \$CAN



Source: Statistics Canada & U.S. Bureau of Labor Statistics

THE ECONOMY

Real GDP by Industry



Economic activity paused in September

- Real GDP at basic prices posted no growth in September after robust growth in the previous three months. However, in September, real GDP was 3.4% higher than a year earlier and business output was 3.6% higher. Real GDP increased 3.9% (annualized) in the third quarter, up from 3.8% in the second.

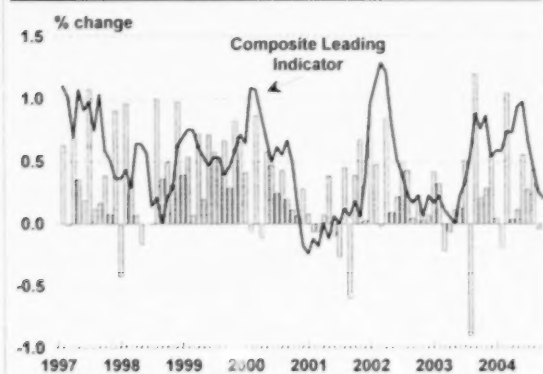
Weakness was concentrated in mining and manufacturing in the goods sector...

- Goods production was down 0.1% in September, after rising 0.7% in August. Industrial production was down 0.3% after six months of expansion. Lower output in mining and manufacturing accounted for the decline as utilities' output (0.4%) was up. The mining sector was affected by the lower output of diamond mines and lingering strikes in the iron mines. Drilling and rigging activities were hampered by unseasonably bad weather in the Prairies. Manufacturing was weakened by the slow-down in export demand. However, September's manufacturing output was 5.4% higher than a year earlier. In the third quarter, output in the goods sector rose 5.6% (annualized), led by agriculture (10.3%), manufacturing (8.4%) and utilities (8.1%).

...and arts & entertainment, wholesale and transportation in the service sector

- Service output was flat in September after an increase of 0.3% in August. Increases in eight industries, namely accommodations and other services, were offset by declines in five others, led by entertainment, wholesale and transportation. The National Hockey League lock-out affected entertainment. Lower exports hampered wholesaling and transportation; however, their outputs were substantially higher than a year ago. The outputs of finance and education were also substantially higher than a year earlier. In the third quarter, output in the service sector rose 3.1% (annualized), led by wholesale (7.8%), health (6.8%) and retail (6.0%).

Real GDP at Basic Prices



Real GDP at Basic Prices (1997 chained dollars)

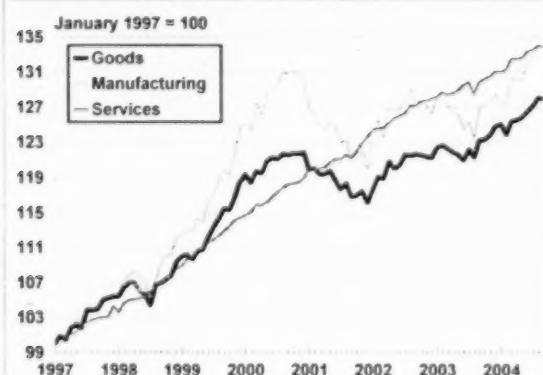
September 2004	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	1,052,568	-439	0.0	3.4
Business Sector	894,049	-529	-0.1	3.6
Goods-producing	331,048	-414	-0.1	3.8
Agri., Forest, Fish, Hunt*	24,146	350	1.5	5.6
Mining & Oil & Gas Extraction	37,679	-306	-0.8	-0.2
Utilities	26,095	94	0.4	3.1
Construction	58,268	-57	-0.1	2.8
Manufacturing	184,687	-343	-0.2	5.4
Services-producing	722,635	-7	0.0	3.1
Wholesale Trade	66,755	-274	-0.4	6.5
Retail Trade	60,038	139	0.2	3.9
Transportation & Warehousing	50,049	-142	-0.3	5.0
Information & Cultural	43,205	4	0.0	2.1
FIRE**	211,321	188	0.1	3.4
Professional***	46,327	-93	-0.2	2.0
Admin. & Waste Mgmt	22,243	32	0.1	2.9
Education	46,002	87	0.2	3.5
Health & Social	63,164	67	0.1	1.8
Arts, Entertain. & Recreation	9,519	-241	-2.5	0.0
Accommodation & Food	23,352	152	0.7	2.1
Other	24,577	134	0.5	1.6
Public Administration	57,581	-82	-0.1	1.4

*Agriculture, Forestry, Fishing & Hunting

**Finance, Insurance & Real Estate

***Professional, Scientific & Technical services

Real GDP by Major Sector



THE ECONOMY

Consumer Spending and Attitudes



Real consumption grew faster in the third quarter...

- Real consumption grew 3.0% in the third quarter, following an upwardly revised increase of 2.1% in the second.
- While growth in services (2.1%) was similar to that in the second quarter, spending on goods rose at a faster pace. Notably, spending on furniture, furnishing and household equipment and maintenance rose 9.5% as a result of the strong housing market.

...despite slower growth in disposable income

- Disposable income grew 2.0% in the third quarter, down from 5.0% in the second. Meanwhile, the savings rate declined 0.5 percentage point to 0.0%, the lowest rate since 1961.
- The consumer confidence index stood at 120.4 in November, similar to October's level. While respondents were less upbeat about their current situation, they were more optimistic about the future.
- Sales of new motor vehicles rose 7.7% in October and preliminary figures point to a 3.7% decline in November. Assuming no growth in December, sales of new motor vehicles will rise 8.0% in the fourth quarter.
- These developments point to sustained growth in consumption in the fourth quarter.

Total Retail and Motor Vehicle Sales



Retail Sales and Consumer Credit

September 2004

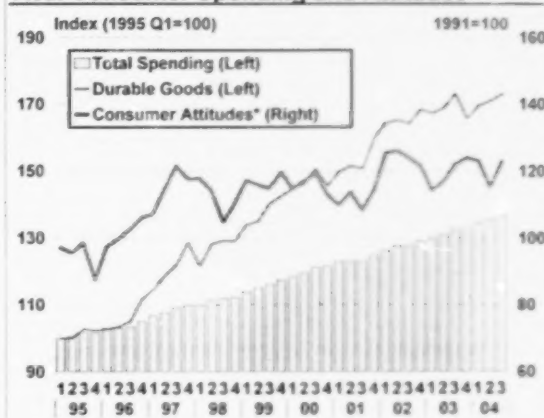
		% Change since	
	\$ millions	last month	last year
Total Retail Sales (S.A.)	29,137	0.2	4.7
Food	5,703	0.6	5.8
Drug Stores	1,927	0.5	5.5
Clothing	1,697	1.4	3.8
Furniture	1,913	1.8	7.4
Automotive	9,631	-1.0	3.2
General Merch. Stores	3,533	0.2	5.0
All other Stores	4,734	0.9	5.0
Total ex. motor vehicles	22,246	0.6	6.1
Consumer Credit	264	0.8	10.6

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2004 Q2	2004 Q3
Real Consumption (97\$)	601,594	620,444	638,154	642,868
% change	3.4	3.1	2.1	3.0
Durable Goods	93,099	94,923	96,213	97,345
% change	8.3	2.0	3.5	4.8
Semi-Durable Goods	54,472	56,142	58,800	60,071
% change	3.8	3.1	3.5	8.9
Non-Durable Goods	137,196	140,078	142,562	143,271
% change	2.3	2.1	0.2	2.0
Services	317,627	330,098	341,421	343,202
% change	2.6	3.9	2.3	2.1
Disposable Income	692,691	713,548	738,176	741,904
% change	3.8	3.0	5.0	2.0
Saving Rate (%)	3.2	1.4	0.5	0.0
Debt-to-Income Ratio (%)	98.1	101.6	104.0	105.1

Real Consumer Spending and Attitudes



*Conference Board of Canada

THE ECONOMY

Business Investment



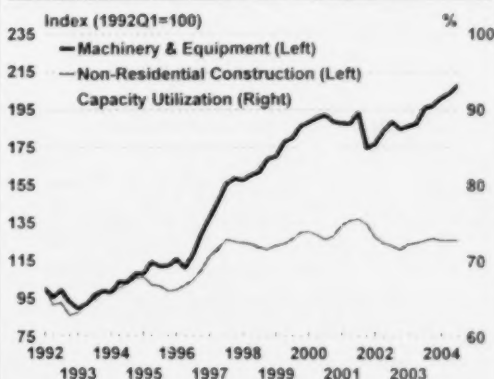
Investment in machinery and equipment continued to rise at a robust pace...

- Led by machinery and equipment (M&E), business fixed investment rose 4.5% in the third quarter, following a similar increase (4.6%) in the second.
 - M&E investment rose 8.2% in the third quarter. This followed a 5.5% increase in the second quarter and represented the seventh straight increase.
 - Investment in non-residential structures rose 0.6% in the third quarter, following an increase of 0.9% in the second.

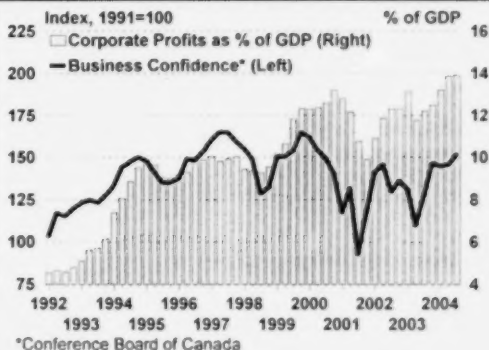
...while corporate profits remained record high

- Operating profits were essentially unchanged in the third quarter, as the increase in financial industries offset small losses in the non-financial sector. This followed four straight quarters of double-digit increases.
 - The largest declines were witnessed in information and cultural industries (80.1%) and manufacturing (7.0%). Despite this recent decline, operating profits in the manufacturing sector are 39.1% higher than at the end of 2003.
- Record high profits and high capacity utilization rates, as well as the substantial appreciation of the Canadian dollar over the past two years, bodes well for sustained growth in investment.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	2002	2003	2003 Q4	2004 Q1	2004 Q2	2004 Q3
BUSINESS INVESTMENT						
Machinery & Equipment (1997\$)	82,715	86,441	88,920	90,688	91,906	93,735
% change	-1.2	4.5	3.2	8.2	5.5	8.2
Non-residential Construction (1997\$)	44,493	44,928	45,501	45,100	45,197	45,262
% change	-8.3	1.0	3.5	-3.5	0.9	0.6
Capacity Utilization (% , Non-farm goods)	83.0	82.9	83.8	83.9	84.7	85.7
Capacity Utilization (Mfg. sector)	83.3	82.9	84.2	84.6	86.4	88.5
CORPORATE FINANCES & ATTITUDES						
Corporate Operating Profits	149,969	172,118	178,676	194,124	205,244	205,320
% change	4.8	14.8	17.7	39.3	25.0	0.1
Profits - Non-financial industries	115,798	128,203	131,604	142,680	155,400	154,448
% change	8.8	10.7	19.5	38.2	40.7	-2.4
Profits - Financial industries	34,169	43,915	47,072	51,444	49,840	50,876
% change	-6.8	28.5	13.0	42.7	-11.9	8.6
Business Credit	890,035	904,784	911,063	921,495	936,013	951,642
% change	3.8	1.7	2.5	4.7	6.5	6.8



Housing moderated in the third quarter...

- Residential construction grew 3.3% in the third quarter, half the growth posted in the second quarter.
- The slow-down was noticeable in the resale of existing homes where ownership and transfer costs dropped 15.6% after an increase of 25.6% the previous quarter.
- Renovations accelerated posting growth of 12.3% after a 2.1% rise in the second quarter.
- New housing grew by 4.7% following a 3.9% increase in the second quarter.

...and slowed further in the fourth quarter

- The value of residential building permits issued rose 3.0% in October, after three consecutive monthly declines.
- Housing starts rose 5.9% in November. However, the average monthly housing starts in the first two months of the fourth quarter were 6.6% lower than the third quarter level.
- Housing starts for the first 11 months of 2004 averaged 231,800 and on track to a 17-year high.
- In November, half of the provinces posted increases in housing starts, led by British Columbia (20.9%), Saskatchewan (14.3%) and Quebec (10.5%). In Ontario, housing starts fell 2.8%.
- Moreover, the price of new housing has been rising at a more moderate pace in recent months. In October, it was 5.6% higher than a year earlier, lower than the 6.2% increase posted in June.

Housing Activity



Monthly Housing Indicators

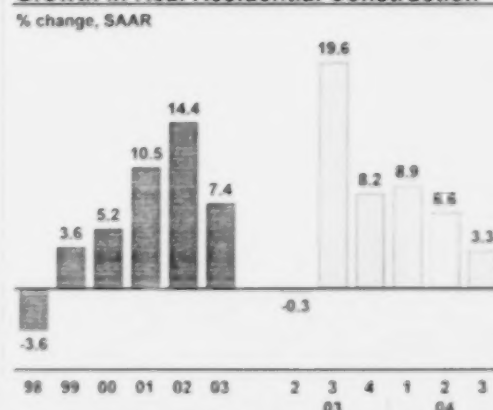
	Levels	Change since	
		Last month	Last year
Residential Construction (1)* (\$97M, basic prices)	21,493	0.2%	8.4%
Building Permits, \$M (2)*	3,073	3.0%	9.1%
Sales of Existing Homes (3)** (# of units)	25,558	345	72
Housing Starts, (3)*** (# of units, SAAR)	238,200	13,200	21,400
Newfoundland & Labrador	2,200	-500	-800
Prince Edward Island	900	0	300
Nova Scotia	4,300	-300	-1,300
New Brunswick	3,300	-100	-700
Quebec	62,100	5,900	5,100
Ontario	81,000	-2,300	2,600
Manitoba	4,700	300	300
Saskatchewan	4,800	600	2,200
Alberta	39,600	1,500	4,800
British Columbia	35,300	8,100	8,900

1 - September data, 2 - October data, 3 - November data
Sources: *Statistics Canada, **Canadian Real Estate Association, ***Canada Mortgage and Housing Corporation

Real Investment in Residential Structures

\$97 Millions, SAAR (unless otherwise noted)				
	2002	2003	2004 Q2	2004 Q3
Residential Construction	58,133	62,452	67,247	67,792
% change	14.4	7.4	6.6	3.3
New Housing	28,900	30,678	32,995	33,377
% change	23.2	6.2	3.9	4.7
Alterations & Improvements	20,600	22,619	24,100	24,808
% change	4.7	9.8	2.1	12.3
Ownership & Transfer Costs	8,639	9,204	10,148	9,728
% change	11.5	6.5	25.1	-15.6

Growth in Real Residential Construction



THE ECONOMY

Trade and Competitiveness



Exports declined further in October...

- Merchandise exports declined 1.1% in October, the fourth consecutive decline and the lowest level since March. The decline was mostly concentrated in the U.S. where the appreciation of the Canadian dollar vis-à-vis the greenback is making Canada's exports less competitive. However, half of the decline was due to lower exports of forestry products to the U.S., reflecting in part lower prices. Exports to non-U.S. destinations rose 1.2%. Overall, export volumes increased 0.1% while prices declined 1.2%.

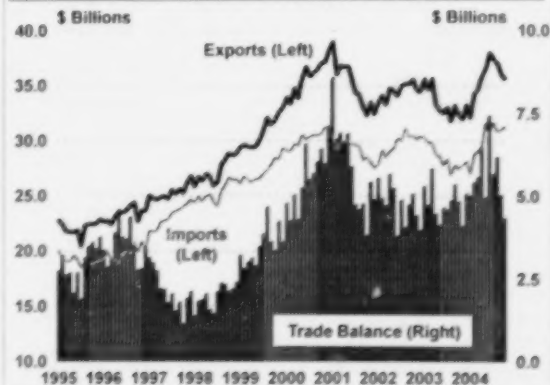
...while imports continued to rise...

- Imports increased 0.9% in October following an increase of 0.4% in September. Imports from all major trading areas except the U.S. rose. Most of the increase came from higher imports of energy products (16.5%), reflecting a record high in crude petroleum imports. Import volumes rose 2.2% and prices fell 1.3%.

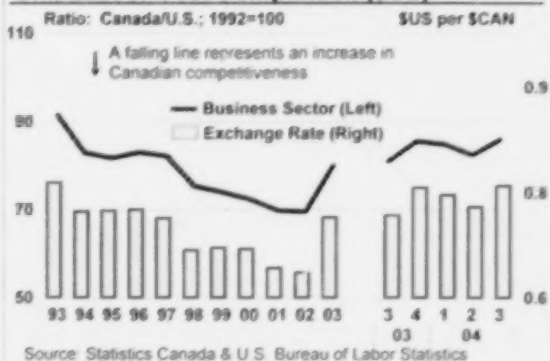
...pushing the trade surplus lower

- Canada's trade surplus declined by \$0.7 billion to \$4.4 billion, the lowest level in a year. The trade surplus with the U.S. fell to \$7.6 billion and the trade deficit with other countries widened to \$3.3 billion, the highest level since May.

Merchandise Trade Flows and Balance



Unit Labour Cost Comparison (\$US)



Source: Statistics Canada & U.S. Bureau of Labor Statistics

Merchandise Trade

October 2004	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	September 2004	October 2004	Jan.-Oct. 2003	Jan.-Oct. 2004	Sep. to Oct. 2004	Sep. to Oct. 2004	Jan.-Oct. 2003 to Jan.-Oct. 2004
Exports	36,024	35,625	334,826	357,604	-399	-1.1	6.8
to United States	29,276	28,796	277,035	291,488	-480	-1.6	5.2
Imports	30,961	31,274	285,869	301,326	293	0.9	5.4
from United States	21,337	21,185	200,697	208,081	-152	-0.7	3.7
Trade Balance	5,043	4,351	48,957	56,278	-692		
with United States	7,939	7,611	76,336	83,407	-328		
Exports by Commodity							
Agriculture/Fishing Products	2,420	2,457	24,283	26,081	37	1.5	7.4
Energy Products	5,814	5,774	51,512	55,996	-40	-0.7	8.7
Forestry Products	3,362	3,121	28,562	33,014	-241	-7.2	15.6
Industrial Goods & Materials	6,598	6,461	54,944	64,265	-137	-2.1	17.0
Machinery & Equipment	7,615	7,665	74,603	77,122	50	0.7	3.4
Automotive Products	7,410	7,521	73,046	75,466	111	1.5	3.3
Other Consumer Goods	1,408	1,397	14,328	14,469	-11	-0.8	1.0
Imports by Commodity							
Agriculture/Fishing Products	1,807	1,835	18,033	17,807	28	1.5	-1.3
Energy Products	2,155	2,510	16,340	20,084	355	16.5	22.9
Forestry Products	273	280	2,538	2,625	-13	-4.8	3.4
Industrial Goods & Materials	6,435	6,454	54,469	60,513	19	0.3	11.1
Machinery & Equipment	8,796	8,770	82,157	86,753	-26	-0.3	5.6
Automotive Products	6,623	6,334	64,011	64,411	-289	-4.4	0.6
Other Consumer Goods	3,989	4,058	38,600	39,413	69	1.7	2.1



Employment and Unemployment

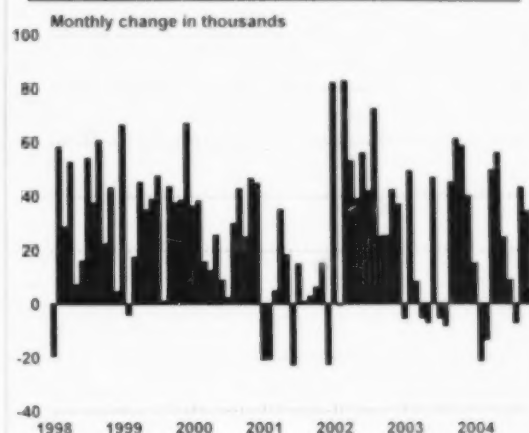
Employment edged up in November...

- Employment rose 5,000 in November, following robust growth in the previous two months (78,000). All gains were in part-time employment (30,000). However, since the beginning of the year, full-time employment has risen 217,000 (1.7%), offsetting a decline of 22,000 (0.7%) in part-time.
- Youth employment declined 4,000, all in part-time. So far this year, youth employment has risen 23,000 (0.9%).
- Job gains were among self-employed (19,000) and the public sector (9,000), while private sector employment decreased 23,000. So far this year, job creation has been almost equally divided among the three categories. However, job growth in the private sector has been more moderate (0.6%) than that for self-employed (2.7%) and the public sector (2.2%).
- The participation and employment rates remained near their historical peaks.

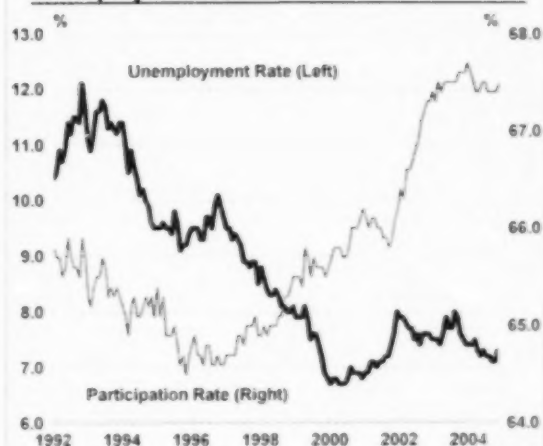
...but the unemployment rate rose to 7.3%

- The unemployment rate rose 0.2 percentage point to 7.3% in November as more people entered the labour force.
- The youth unemployment rate edged down to 13.2% as less youths sought jobs. In contrast, the unemployment rate for adults rose by 0.2 percentage point to 6.1% as more people looked for work.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2003 November	2004 October	2004 November	last month	last year	year-to- date	last month	last year
Employment	15,880.8	16,110.7	16,115.3	4.6	234.5	194.6	0.0	1.5
Full-time	12,880.9	13,159.7	13,134.4	-25.3	253.5	217.2	-0.2	2.0
Part-time	2,999.9	2,951.0	2,981.0	30.0	-18.9	-22.4	1.0	-0.6
Youth 15-24	2,423.2	2,445.3	2,441.7	-3.6	18.5	22.9	-0.1	0.8
Adult 25+	13,457.7	13,665.4	13,673.7	8.3	216.0	171.9	0.1	1.6
Self-employed	2,441.7	2,485.3	2,504.0	18.7	62.3	66.6	0.8	2.6
Unemployment	1,285.5	1,230.6	1,261.7	31.1	-23.8	-5.1	2.5	-1.9
Unemployment Rate	7.5	7.1	7.3	0.2	-0.2	-0.1		
Youth 15-24	13.3	13.4	13.2	-0.2	-0.1	-0.8		
Adult 25+	6.4	5.9	6.1	0.2	-0.3	0.0		
Labour Force	17,166.3	17,341.2	17,377.0	35.8	210.7	189.6	0.2	1.2
Participation Rate	67.6	67.4	67.5	0.1	-0.1	-0.2		
Employment Rate	62.6	62.7	62.6	-0.1	0.0	-0.1		



Industry Overview

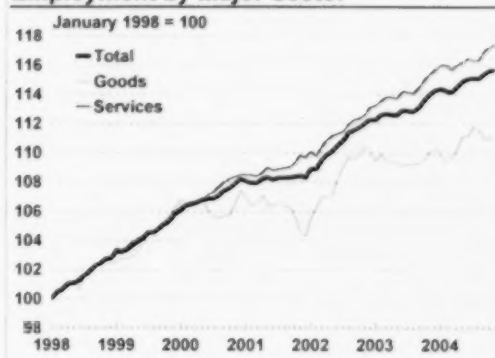
Further manufacturing job losses pushed employment down in the Goods sector...

- Employment in the Goods sector decreased 17,000 in November, following an increase of 5,000 in October. Most losses were in manufacturing (18,000), while employment edged up in natural resources (4,000) and construction (1,000). So far this year, the Goods sector has gained 12,000 jobs (0.3%), as strong gains in construction (57,000) offset losses in manufacturing (28,000) and agriculture (19,000).
- Since July, employment in the manufacturing sector has declined 52,000. This reflected a number of factors, including rising oil prices and the appreciation of the Canadian dollar. More than 100,000 jobs have been lost in the manufacturing sector since its peak in November 2002.

...but employment continued to grow in the Services sector

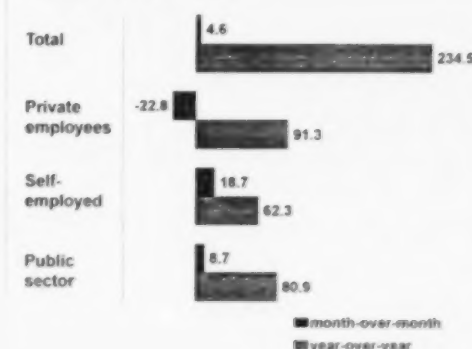
- Employment rose 21,000 in the Services sector, following gains both in September (64,000) and October (30,000). The largest gain was in FIRE* (21,000), offsetting the decline recorded in October. The largest loss was in the accommodation & food services sector (13,000).
- Employment in the service sector rose 183,000 (1.5%) in the first eleven months of 2004. Most gains were concentrated in trade (79,000), FIRE* (56,000), professional, scientific and technical services (44,000) and health care & social assistance (28,000). So far this year, losses were only in accommodation & food (25,000), business, building & other support and public administration services (3,000).

Employment by Major Sector



Employment Growth by Worker Category

November 2004 (thousands)



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2003 November	2004 October	2004 November	last month	last year	year-to- date	last month	last year
Goods-producing	4,003.5	4,044.0	4,027.2	-16.8	23.7	11.9	-0.4	0.6
Agriculture	339.9	330.0	327.9	-2.1	-12.0	-18.6	-0.6	-3.5
Natural Resources*	293.4	296.3	300.7	4.4	7.3	4.7	1.5	2.5
Utilities	133.8	130.3	127.7	-2.6	-6.1	-3.0	-2.0	-4.6
Construction	949.5	1,012.9	1,014.1	1.2	64.6	57.0	0.1	6.8
Manufacturing	2,286.9	2,274.6	2,256.8	-17.8	-30.1	-28.2	-0.8	-1.3
Services-producing	11,877.3	12,066.7	12,088.1	21.4	210.8	182.7	0.2	1.8
Trade	2,491.9	2,545.1	2,556.1	11.0	64.2	78.7	0.4	2.6
Transportation*	771.2	779.2	785.6	6.4	14.4	3.4	0.8	1.9
FIRE*	951.9	991.6	1,012.8	21.2	60.9	56.1	2.1	6.4
Professional/Scientific	996.0	1,032.3	1,028.8	-3.5	32.8	44.3	-0.3	3.3
Business/Building	616.5	641.4	629.5	-11.9	13.0	-8.1	-1.9	2.1
Educational Services	1,054.8	1,052.1	1,067.1	15.0	12.3	6.0	1.4	1.2
Health Care/Social Assistance	1,708.1	1,755.1	1,760.3	5.2	52.2	28.1	0.3	3.1
Information/Culture/Recreation	721.8	723.5	718.5	-5.0	-3.3	1.5	-0.7	-0.5
Accommodation & Food	1,031.7	1,016.9	1,004.1	-12.8	-27.6	-25.4	-1.3	-2.7
Other Services	698.7	700.8	701.2	0.4	2.5	1.6	0.1	0.4
Public Administration	834.6	828.6	824.2	-4.4	-10.4	-3.4	-0.5	-1.2

*Natural Resources: Forestry, Fishing, Mining, Oil & Gas, Transportation includes warehousing, FIRE: Finance, Insurance, Real Estate & Leasing.



Provincial Overview

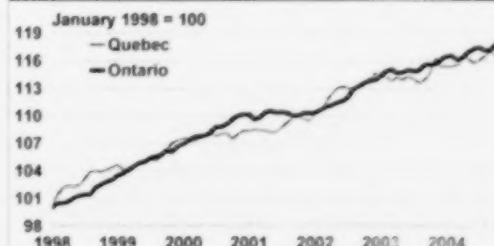
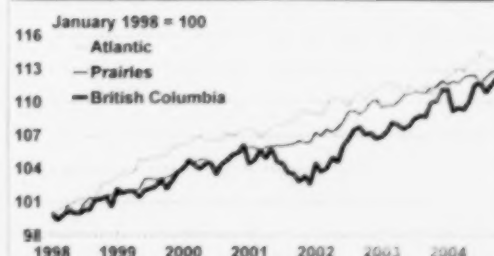
Most provinces experienced little employment change in November...

- All western provinces registered small employment gains in November. In British Columbia (B.C.), a strong increase in part-time employment (24,000) was accompanied by full-time job losses (23,000). B.C.'s employment has risen 22,000 (1.0%) so far this year.
- Ontario lost 2,000 jobs in November, but employment has risen 86,000 (1.4%) so far this year. Quebec's employment edged up 1,000, following a decline of 12,000 in October.
- All Atlantic provinces, except Newfoundland & Labrador, recorded employment gains in November. So far this year, Prince Edward Island (2.3%), New Brunswick (2.3%) and Nova Scotia (2.0%) have posted the strongest employment growth among all provinces.

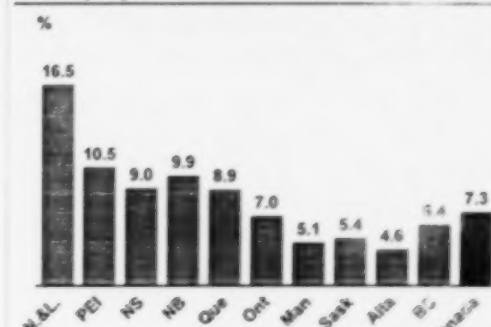
...while the unemployment rate increased in five provinces

- In line with a large decrease in the labour force, B.C.'s unemployment rate fell to 6.4%, its lowest monthly level since August 1981. At 4.6%, Alberta's unemployment rate still remained the lowest among the provinces.
- Lower employment and a higher labour force pushed up Ontario's unemployment rate 0.5 percentage point to 7.0%. Despite small employment gains, Quebec's unemployment rate rose to 8.9% as more people sought jobs.
- The unemployment rate decreased by 1.3 percentage points to 10.5% in Prince Edward Island, but it rose 0.7 percentage point to 16.5% in Newfoundland & Labrador.

Regional employment patterns



Unemployment Rates -- November 2004



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment Rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	2004 November	(000's)	%	(000's)	%		2004 November	last month	last year
Canada	16,115.3	4.6	0.0	234.5	1.5		7.3	0.2	-0.2
Newfoundland & Labrador	216.6	-3.0	-1.4	3.0	1.4		16.5	0.7	-1.0
Prince Edward Island	71.8	2.0	2.9	2.2	3.2		10.5	-1.3	-0.5
Nova Scotia	448.0	1.3	0.3	11.7	2.7		9.0	0.2	-1.0
New Brunswick	354.2	0.5	0.1	5.9	1.7		9.9	-0.2	-0.3
Quebec	3,722.5	1.8	0.0	13.1	0.4		8.9	0.3	-0.2
Ontario	6,371.7	-2.2	-0.0	115.6	1.8		7.0	0.5	0.2
Manitoba	579.9	0.9	0.2	11.9	2.1		5.1	0.0	-0.2
Saskatchewan	494.6	1.4	0.3	8.3	1.7		5.4	0.2	-0.2
Alberta	1,763.2	0.8	0.0	21.5	1.2		4.6	-0.1	-0.3
British Columbia	2,092.9	1.2	0.1	41.4	2.0		6.4	-0.5	-1.1



Higher gasoline prices pushed up inflation to 2.3% in October...

- On a year-over-year basis, the increase in the Consumer Price Index (CPI) rose to 2.3% in October from 1.8% in September. This was mainly due to gasoline prices, which rose 20.3% compared to 7.2% in September. Excluding energy, inflation in October (1.5%) was slightly higher than in September (1.4%).
- Inflation rose in all provinces, except Alberta where it remained at 1.5% in October. Newfoundland & Labrador, Manitoba, and Saskatchewan posted the largest rise in inflation, about 1.1 percentage points.
- On a month-to-month basis (seasonally adjusted), the CPI rose 0.4% following a 0.2% rise in September.
- The year-over-year increase in commodity prices was 25.8% in November, down from 32.1% in October, due to a moderation in energy price inflation. Energy prices rose 45.0% in November compared to 55.5% in October. On a monthly basis, commodity prices fell 3.5% following a 6.8% jump in October. Excluding energy prices, commodity prices were unchanged from September.

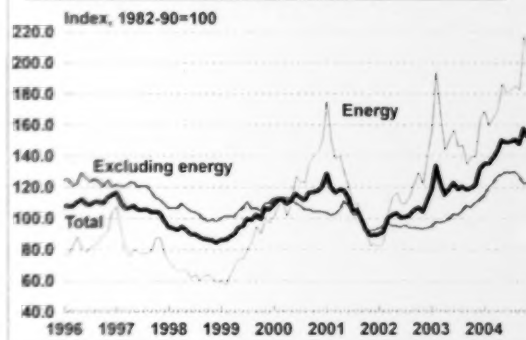
...but the "core" rate fell to 1.4%

- The "core" rate of inflation, which excludes the eight most volatile components and indirect taxes, moderated to 1.4% in October from 1.5% in September, below the midpoint of the 1%-3% official target range.

Consumer Price Index



Commodity Prices (\$US basis)



Consumer Prices

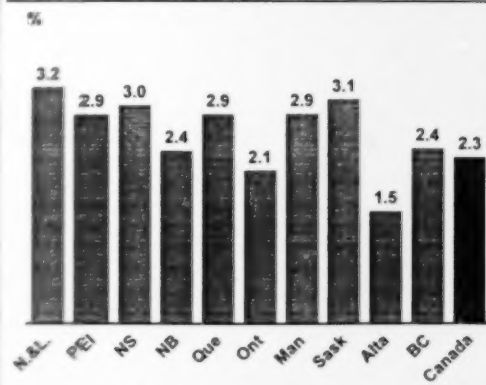
October 2004

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	125.2	0.2	2.3
Food	125.3	0.5	3.5
Shelter	121.8	0.5	3.0
Household operations	115.0	-0.3	-0.1
Clothing & Footwear	105.4	0.5	0.4
Transportation	144.6	0.6	3.5
Health & Personal Care	119.1	-0.1	1.2
Recreation, Educ. & Reading	128.4	-0.8	0.1
Alcohol & Tobacco	144.5	-0.1	5.5
Excl. 8 Most Volatile/Indirect Taxes	124.7	0.0	1.4
Energy	154.9	2.1	13.1

Commodity Prices (November 2004)

Index, 1982-90=100	152.5	-3.5	25.8
Excluding Energy	122.7	0.0	11.4
Energy	202.5	-6.9	45.0

Provincial CPI Inflation -- October 2004





Short-term and Long-term Interest Rates

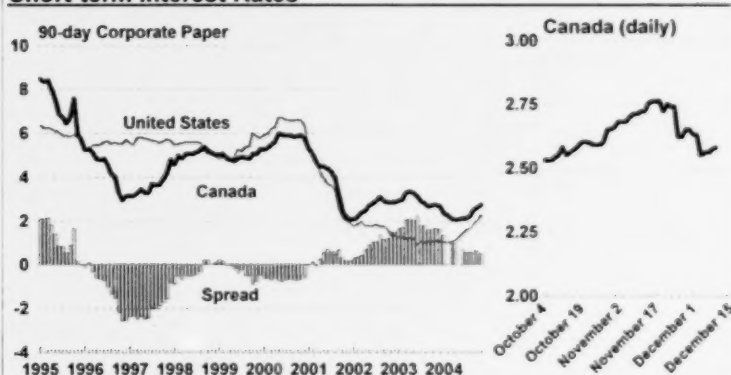
The Bank of Canada paused in December...

- The Bank of Canada left its target for the overnight rate unchanged at 2.5% on December 7. The rapid appreciation of the dollar, moderating global growth, as well as signs of economic slowdown in Canada were important factors behind the decision. In the United States, the Federal Reserve raised its fed funds rate by 25 basis points (bps) to 2.25% on December 14, the fifth consecutive rate increase, encouraged by good growth prospects, improving labour market conditions, and low and stable inflation.
- The rate on three-month corporate paper in Canada was 2.55% on December 14 compared to 2.76% on November 18. In the U.S., short-term rates rose from 2.1% in early November to 2.39% on December 13. With Canadian rates trending down while U.S. rates edged higher, the rate differential narrowed to 16 bps.

...and long-term yields edged down in Canada

- Increased uncertainties about economic prospects in the U.S. and Canada have led to volatility in bond markets and a narrowing of the spread between Canadian and U.S. bond yields. In the U.S., 10-year yields were 4.13% on December 14, down from 4.40% in early December, but similar to yields in mid-November. In Canada, yields fell from 4.50% in mid-November to 4.25% on December 14, resulting in a narrowing of the rate spread to about 15 bps, down from about 40 bps in October.
- One-year mortgage rates were 4.90% on December 8, steady from one month ago. Five-year mortgage rates eased further to 6.15% on December 8, from 6.30% in November.

Short-term Interest Rates



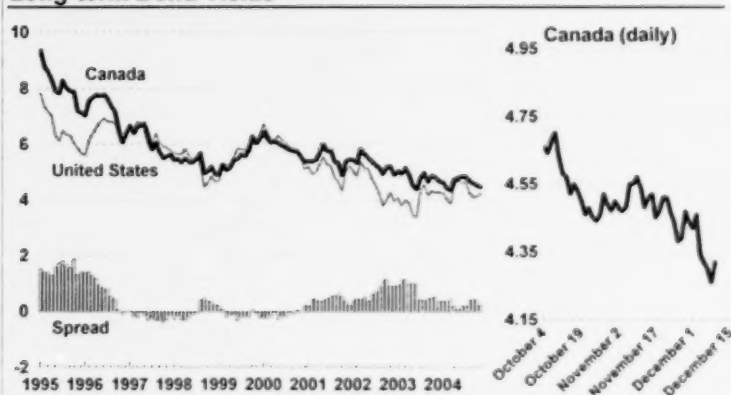
Key Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
2002	2.83	1.50	4.88	0.93
2003	2.66	1.62	4.66	0.39
June	2.10	0.70	4.83	0.21
July	2.12	0.55	4.82	0.21
August	2.22	0.55	4.68	0.42
September	2.50	0.65	4.58	0.48
October	2.60	0.59	4.52	0.41
November	2.74	0.49	4.44	0.24

Dec. 15 *

A positive spread indicates that Canadian rates are above their U.S. counterparts. * Bank of Canada's Weekly Financial Statistics

Long-term Bond Yields



Key Lending Rates

(end of period)	Overnight Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
2002	2.75	4.50	4.90	6.70
2003	2.75	4.50	4.75	6.45
June	2.00	3.75	4.70	6.70
July	2.00	3.75	4.60	6.55
August	2.00	3.75	4.40	6.30
September	2.25	4.00	4.80	6.30
October	2.50	4.25	4.90	6.40
November	2.50	4.25	5.00	6.30

Dec. 15 *

* Bank of Canada's Weekly Financial Statistics



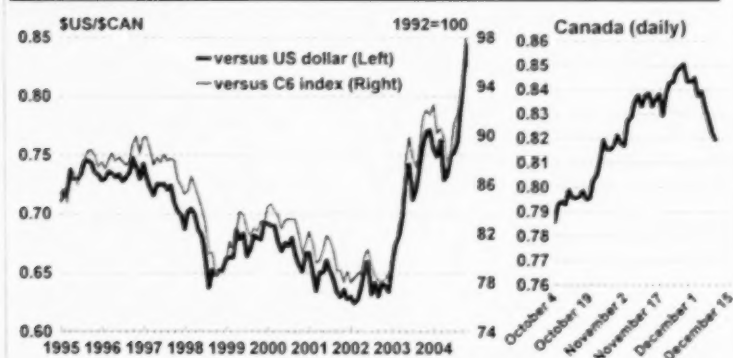
The Canadian dollar lost some ground in December

- Since closing above US\$85 on November 26, the dollar has retreated 4.8% to close just below US\$81 on December 14. This reflected growing evidence of slowing economic conditions in Canada, particularly in the export-dependent manufacturing sector, declining commodity prices, and a partial recovery in the U.S. dollar against major currencies. However, the loonie is still up about 10% above its value in May (US\$73.4). While the U.S. dollar has recovered somewhat in recent weeks, some analysts expect the greenback to trend down further as the U.S. twin deficits are expected to remain large.
- The Canadian dollar also lost some ground against the euro and Japanese yen, wiping out gains since late summer. From recent highs on November 10, the dollar depreciated 4.8% against the euro and 8.2% against the yen.

Stock markets rose towards the end of the year

- The stronger dollar helped push the S&P/TSX index above 9,000 in recent weeks, with the index closing at 9,086 on December 14. All sub-indices, except for financial stocks, recorded gains in November, especially metals & mining (11.0%) and energy (4.7%).
- Oil prices eased about 12% from mid-November, supporting U.S. stock markets in the last month. The Dow Jones closed at 10,676 on December 14 and has been around 10,500 since mid-November. This is 9.5% above its recent low of 9,750 on October 25.

Canadian Dollar



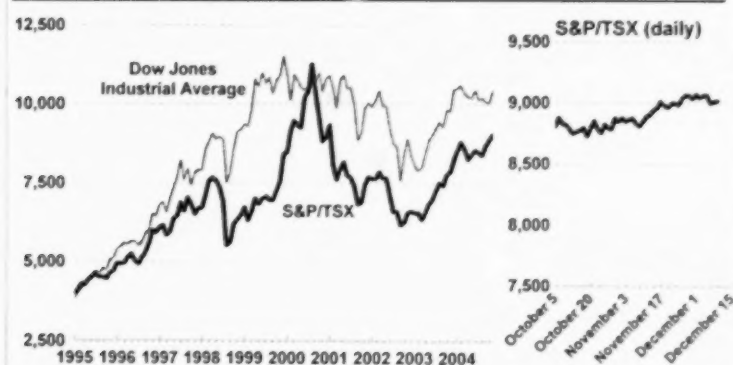
The Canadian Dollar

(close)	\$US vs. \$CAN	Index vs. C-6 (92=100)	\$CAN vs. EURO	yen vs. \$CAN
2002	0.6339	78.80	n/a	n/a
2003	0.7713	91.65	1.628	82.86
June	0.7497	88.68	1.627	81.59
July	0.7522	91.00	1.599	83.64
August	0.7616	91.80	1.599	83.19
September	0.7926	93.52	1.569	87.21
October	0.8210	96.36	1.559	86.88
November	0.8432	99.92	1.577	86.76

Dec. 15 xx.xx*

* Bank of Canada's Weekly Financial Statistics

Stock Market Indices



Key Stock Market Indexes

		% change from	
	November Close	last month	last year
S&P/TSX	9,030	1.8	14.9
Energy	201	4.7	43.9
Metals & Mining	262	11.0	32.6
Utilities	158	4.4	4.5
Materials	168	7.1	13.3
Industrial	71	1.1	-2.3
Financial	147	-2.7	13.7
Gold	222	2.2	-6.2
Telecommunication	69	6.5	12.7
Information Technology	32	0.8	25.9
Consumer Discretionary	89	2.1	6.6
Consumer Staples	188	5.7	12.6

S&P 500	1,173.8	3.9	10.9
Dow Jones	10,428	4.0	6.6



U.S. Economic Trends

U.S. economic growth accelerated in the third quarter...

- According to preliminary estimates, real gross domestic product (GDP) increased at an annual rate of 3.9% in the third quarter, up from 3.3% in the second quarter and higher than the advanced estimate of 3.7%. Preliminary estimates confirmed that higher consumption growth (5.1% vs. 1.6%) and a lesser drag from net exports were the main factors behind higher growth. On the income side, lower profits in the financial sector led to a 2.3% drop in corporate profits, the first drop since the first quarter of 2003. Moreover, personal outlays grew faster than personal disposable income, resulting in a lower personal saving rate (0.5%).

...and growth should stay robust in the fourth quarter

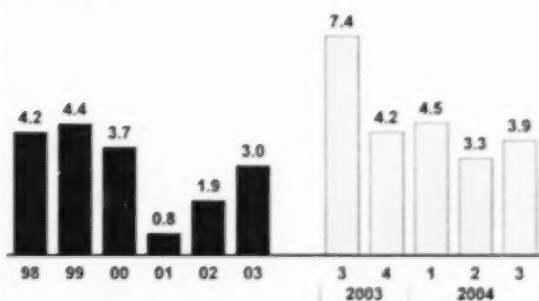
- Industrial production increased 0.7% in October following a 0.1% rise in September. Moreover, the Institute of Supply Management (ISM) manufacturing and non-manufacturing indices rose to 57.8 and 61.5 in November, respectively, suggesting the economy is expanding further. Also, consumers kept buying as real expenditures increased 0.3% in October, following a 0.5% rise in September. Non-farm payrolls rose by only 112,000 in November, less than expected and below the monthly average (185,000) so far in 2004.

The trade deficit increased in October on track to set a record high in 2004

- The trade deficit increased to US\$55.0 billion in October from US\$50.9 billion in September, primarily due to an increase in goods deficit (to US\$59.7 from US\$55.0 billion). Despite further depreciation of the U.S. dollar against major currencies in 2004, the merchandise trade deficit has risen to US\$540 billion (or 6.1% of GDP) in the first nine months of this year from US\$454 billion (5.0% of GDP) for the same period of 2003. At the same time, the trade deficit with China has risen to US\$113 billion from US\$89 billion in 2003. There are growing calls on China to contribute to the correction of that imbalance by revaluing its currency. While the U.S. dollar depreciation is viewed as an important factor in reducing trade imbalances, the U.S. also needs to raise its national savings by slowing its domestic demand and lowering its large fiscal deficit.

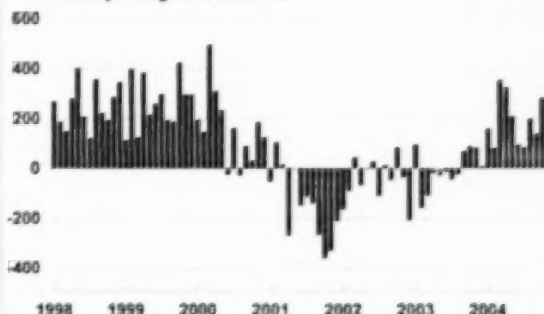
U.S. Real GDP Growth

% change, SAAR



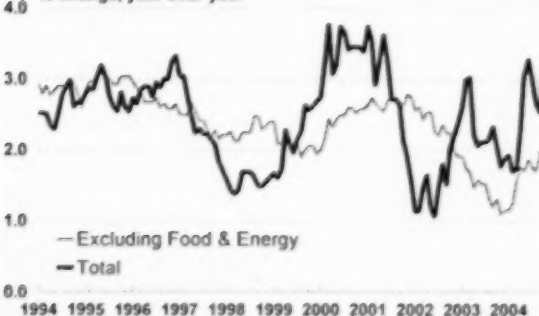
U.S. Non-Farm Payrolls

Monthly change in thousands

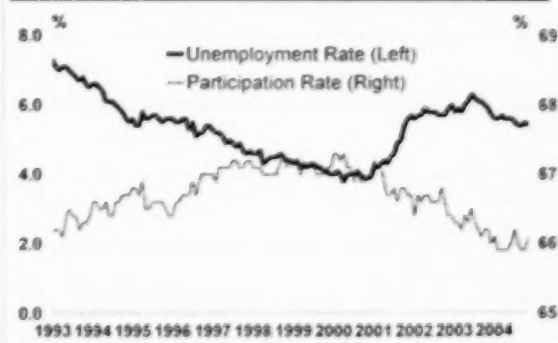


U.S. Consumer Price Inflation

% change, year-over-year



U.S. Unemployment & Participation Rates



Source: U.S. Bureau of Economic Analysis & U.S. Bureau of Labor Statistics

COMING UP

Key Future Data Releases and Planned Events



CANADA

Consumer Price Index - November	December 17
Real GDP by Industry - October	December 23
Labour Force Survey - December	January 7
Canadian International Merchandise Trade - November	January 12
Key Policy Interest Rate Announcement	January 20
Monthly Survey of Manufacturing - November	January 20
Financial Statistics for Enterprises - 4th Quarter 2004	February 25
Balance of International Payments - 4th Quarter 2004	February 25
National Economic and Financial Accounts - 4th Quarter 2004	February 28

UNITED STATES

Consumer Price Index - November	December 17
GDP - 3rd Quarter 2004 (final)	December 22
The Employment Situation - December	January 7
International Trade in Goods and Services - November	January 12
Federal Open Market Committee Meeting	February 1/2

Note: The December 2004 MEI uses data available as of December 15, 2004